Ontario

Ministry *of* Finance

PUBLIC ACCOUNTS *of* ONTARIO

2010–2011

FINANCIAL STATEMENTS OF GOVERNMENT ORGANIZATIONS

Volume 2a

TABLE OF CONTENTS

Page

General

Guide to Public Accounts v

FINANCIAL STATEMENTS

Volume 2a

Section 1 — Government Organizations

AgriCorp	March 31, 2011	1-1
Agricultural Research Institute of Ontario	March 31, 2011	1-23
Algonquin Forestry Authority	March 31, 2011	1-35
Cancer Care Ontario	March 31, 2011	1-47
Education Quality and Accountability Office	March 31, 2011	1-63
eHealth Ontario	March 31, 2011	1-73
Forest Renewal Trust	March 31, 2011	1-87
Independent Electricity System Operator	December 31, 2010	1-89
Legal Aid Ontario	March 31, 2011	1-105
Local Health Integration Network – Central	March 31, 2011	1-123
Local Health Integration Network – Central East	March 31, 2011	1-139
Local Health Integration Network – Central West	March 31, 2011	1-155
Local Health Integration Network – Champlain	March 31, 2011	1-171
Local Health Integration Network – Erie St. Clair	March 31, 2011	1-187
Local Health Integration Network – Hamilton Niagara Haldimand Brant	March 31, 2011	1-201
Local Health Integration Network – Mississauga Halton	March 31, 2011	1-217
Local Health Integration Network – North East	March 31, 2011	1-233
Local Health Integration Network – North Simcoe Muskoka	March 31, 2011	1-247
Local Health Integration Network – North West	March 31, 2011	1-267
Local Health Integration Network – South East	March 31, 2011	1-283
Local Health Integration Network – South West	March 31, 2011	1-301
Local Health Integration Network – Toronto Central	March 31, 2011	1-315
Local Health Integration Network – Waterloo Wellington	March 31, 2011	1-335
Metrolinx	March 31, 2011	1-351
Metropolitan Toronto Convention Centre Corporation	March 31, 2011	1-371
Niagara Parks Commission	October 31, 2010	1-387
Northern Ontario Heritage Fund Corporation	March 31, 2011	1-405
Ontario Agency for Health Protection & Promotion	March 31, 2011	1-417
Ontario Capital Growth Corporation	March 31, 2011	1-435
Ontario Clean Water Agency	December 31, 2010	1-451
Ontario Council for Arts	March 31, 2011	1-465
Ontario Educational Communications Authority (TVO)	March 31, 2011	1-485
Ontario Electricity Financial Corporation	March 31, 2011	1-503

Government Organizations continued in Volume 2b

RESPONSIBLE MINISTRY FOR GOVERNMENT BUSINESS ENTERPRISES, ORGANIZATIONS, TRUSTS & MISCELLANEOUS FINANCIAL STATEMENTS

Ministry of Agriculture, Food and Rural Affairs
- AgriCorp
- Agricultural Research Institute of Ontario

Ministry of Attorney General
- Legal Aid Ontario
- The Public Guardian and Trustee for the Province of Ontario

Ministry of Economic Development and Trade
- Ontario Immigrant Investor Corporation

Ministry of Education
- Education Quality and Accountability Office
- Ontario Educational Communications Authority (TVO)
- Ontario French-language Educational Communications Authority

Ministry of Energy
- Hydro One Inc.
- Independent Electricity System Operator
- Ontario Energy Board
- Ontario Power Authority
- Ontario Power Generation Inc.

Ministry of Environment
- Ontario Clean Water Agency

Ministry of Finance
- Deposit Insurance Corporation of Ontario
- Liquor Control Board of Ontario
- Losses deleted from the accounts
- Motor Vehicle Accident Claims Fund
- Ontario Electricity Financial Corporation
- Ontario Financing Authority
- Ontario Lottery and Gaming Corporation
- Ontario Racing Commission
- Ontario Securities Commission
- Pension Benefits Guarantee Fund
- Provincial Judges Pension Fund
- Revenue remissions

Ministry of Government Services
- Ontario Pension Board

Ministry of Infrastructure
- Ontario Infrastructure Projects Corporation
- Ontario Realty Corporation
- Toronto Waterfront Revitalization Corporation

GOVERNMENT ORGANIZATIONS

Agricorp®

An agency of the Government of Ontario
Un organisme du gouvernement de l'Ontario

1 Stone Road West, Box 3660, Stn. Central
Guelph, ON N1H 8M4
1-888-247-4999 Fax: 519-826-4118

1 Stone Road West, C.P. 3660, succ. Centrale
Guelph (Ontario) N1H 8M4
1 888 247-4999 Téléc. : 519 826-4118

agricorp.com

Management's Responsibility for Financial Reporting

The accompanying financial statements and the financial information in the annual report have been prepared by management. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements. Financial information contained elsewhere in the annual report is consistent with that contained in the financial statements.

The financial statements include some amounts, such as provision for claims, that are necessarily based on management's best estimates and have been made using careful judgement.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained. The systems include formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board of Directors is responsible for ensuring management fulfills its responsibilities for financial reporting and internal control. The Board meets regularly to oversee the financial activities of the Agency and annually reviews the financial statements.

The financial statements have been examined independently by the office of the Auditor General on behalf of the Legislature and the Board of Directors. The Auditor's Report outlines the scope of their examination and expresses their opinion on the financial statements of the company.

Randy Jackiw	Erich Beifuss
Chief Executive Officer	Chief Financial Officer

June 23, 2011

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Agricorp
and to the Minister of Agriculture, Food and Rural Affairs

I have audited the accompanying financial statements of Agricorp, which comprise the balance sheet as at March 31, 2011, and the statements of operations and fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Agricorp as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Toronto, Ontario
June 23, 2011

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

AGRICORP

Balance Sheet
(in thousands of dollars)
March 31, 2011, with comparative figures for 2010

	General Fund	Production Insurance	2011	2010
Assets				
Cash	$ 188	$ 892	$ 1,080	$ 2,547
Investments (note 6)	4,768	626,057	630,825	522,112
Accounts receivable (note 5)	5,735	6,827	12,562	10,825
Funds under administration (note 4)	57,241	-	57,241	38,459
Prepaid expenses	629	-	629	1,019
Accrued pension asset (note 12)	4,401	-	4,401	3,297
Capital assets (note 7)	1,099	-	1,099	1,667
Total assets	$ 74,061	$ 633,776	$ 707,837	$ 579,926
Liabilities & Fund Balances				
Accounts payable and accrued liabilities	$ 4,495	$ 216	$ 4,711	$ 6,324
Unearned premiums and revenue (note 10)	4,488	23,279	27,767	21,002
Provision for claims	-	345	345	14,963
Funds under administration (note 4)	57,241	-	57,241	38,459
Total liabilities	66,224	23,840	90,064	80,748
Fund balances	7,837	609,936	617,773	499,178
Commitments (note 13)				
Contingencies (note 13)				
Total liabilities & fund balances	$ 74,061	$ 633,776	$ 707,837	$ 579,926

See accompanying notes to financial statements.

Approved on Behalf of the Board:

Larry Skinner

Larry Skinner
Chair

Randy Jackiw
Chief Executive Officer

AGRICORP

Statement of Operations and Fund Balances
(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	General Fund	Production Insurance	2011	2010
Revenue:				
Operating funding - Ontario and Canada (note 9)	$ 38,676	$ -	$ 38,676	$ 38,618
Premiums from producers	-	52,446	52,446	58,875
Funding - Ontario and Canada	-	80,175	80,175	89,312
Sales, consulting and other services	7,633	-	7,633	7,396
Investment income	69	18,231	18,300	14,246
Total revenue	46,378	150,852	197,230	208,447
Expenses:				
Claims	-	14,844	14,844	68,199
Reinsurance (note 11)	-	18,230	18,230	19,514
Administration	46,234	-	46,234	46,065
Bad debts	-	3	3	13
Total expenses	46,234	33,077	79,311	133,791
Excess of revenue over expenses	144	117,775	117,919	74,656
Change in fair value of assets classified as available-for-sale	-	676	676	(5,077)
Fund balances, beginning of year	7,693	491,485	499,178	429,599
Fund balances, end of year	$ 7,837	$ 609,936	$ 617,773	$ 499,178

See accompanying notes to financial statements.

AGRICORP

Statement of Cash Flows
(in thousands of dollars)
Year ended March 31, 2011, with comparative figures for 2010

	General Fund	Production Insurance	2011	2010
Cash provided by operating activities:				
Excess of revenue over expenses	$ 144	$ 117,775	$ 117,919	$ 74,656
Items not requiring an outlay of cash:				
Amortization of capital assets	1,173	-	1,173	1,376
	1,317	117,775	119,092	76,032
Changes in non-cash working capital:				
Accounts receivable	2,449	(4,186)	(1,737)	8,531
Prepaid expenses	390	-	390	(375)
Accrued pension asset	(1,104)	-	(1,104)	(3,092)
Accounts payable and accrued liabilities	(1,059)	(554)	(1,613)	(2,832)
Unearned premiums and revenue	(682)	7,447	6,765	(9,219)
Provision for claims	-	(14,618)	(14,618)	3,103
	(6)	(11,911)	(11,917)	(3,884)
Financing activities:				
Increase in investments	(2,296)	(105,741)	(108,037)	(70,673)
Investing activities:				
Purchase of capital assets	(605)	-	(605)	(986)
Increase (decrease) in cash	(1,590)	123	(1,467)	489
Cash, beginning of year	1,778	769	2,547	2,058
Cash, end of year	$ 188	$ 892	$ 1,080	$ 2,547

See accompanying notes to financial statements.

AGRICORP

Notes to Financial Statements
(in thousands of dollars)
Year ended March 31, 2011

1. **Nature of Operations:**

The AgriCorp Act, 1996 established AgriCorp ("the Corporation") as a corporation without share capital. It was established as an Ontario Crown agency on January 1, 1997. Its mandate is to deliver agricultural safety net plans and services to the farm, food, and rural sectors of Ontario. These initiatives can be segregated into two: a Non entitlement Program - Production Insurance ("PI") and Entitlement Programs which are administered by the Corporation on behalf of the Ontario Ministry of Agriculture, Food and Rural Affairs ("OMAFRA").

Non-entitlement Programs

PI was established in 1966 and currently operates pursuant to the Crop Insurance Act (Ontario),1996. For all major crops grown in Ontario, PI provides insured growers with financial protection against yield reduction caused by natural perils.

Entitlement Programs

AgriStability, Ontario Risk Management Program ("RMP") and Orchards and Vineyards Transition Program ("OVTP") are current examples of Entitlement Programs. These programs, as detailed under note 4, are administered by the Corporation on behalf of OMAFRA, the Federal Government, or other organizations. The rules regarding payments to clients are determined by the programs and in formal agreements with the Corporation. The funds paid out under these programs flow from either Ontario or Canada or both through the Corporation to qualified applicants, and are held in segregated accounts in funds under administration.

Other

The Corporation is responsible for the delivery of the Farm Business Registration Program ("FBR") established under the Farm Registration and Farm Organizations Funding Act, 1993. Under an agreement with OMAFRA, the Corporation's primary obligations include registration of farm businesses, collection of registration fees, and forwarding the fees net of an administrative charge to Ontario's accredited General Farm Organizations ("GFO").

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

2. Significant accounting policies:

(a) Basis of accounting:

The financial statements of the Corporation have been prepared by management in accordance with Canadian generally accepted accounting principles ("GAAP"). These financial statements are, in management's opinion, properly prepared within reasonable limits of materiality, statutory requirements and the framework of the accounting policies summarized below.

The Corporation uses fund accounting whereby the activities in each program are accounted for in separate funds. The General Fund is used to account for all administrative costs and revenues, as well as for all unsegregated activities.

(b) Capital assets:

Capital assets are stated at cost less accumulated amortization. Amortization is provided using the straight line method over the estimated useful lives of the assets as follows:

Furniture and fixtures	4 years
Computer hardware	3 years
Computer software	2 years
Leasehold improvements	5 years

(c) Pension plan:

The Corporation sponsors a contributory defined benefit registered pension plan for all full time employees. The Corporation contributes to the plan based on employee contributions and a factor determined by the plan's independent actuary. The cost of pension benefits for the defined benefit plan is determined by an independent actuary using the projected benefit method prorated on service and management's best estimates of expected plan investment performance, salary escalation, and retirement ages of employees. Pension plan assets are valued using current fair values and any actuarial adjustments are amortized on a straight line basis over the average remaining service life of the employee group.

(d) Revenue recognition:

Premium revenues are recognized in the year in which the related crops are harvested.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

2. Significant accounting policies (continued):

(e) Financial instruments:

The Corporation's financial instruments consist of cash, short-term investments, long-term investments, accounts receivable, accounts payable and accrued liabilities and a provision for claims. Under GAAP, financial instruments are classified into one of five categories: available-for-sale, held-for-trading, held-to-maturity, loans and receivables and other financial instruments. The Corporation classifies its financial assets and liabilities as follows:

- The Corporation has classified cash and short term investments as held-for-trading which are measured at fair value. Held-for-trading financial instruments are carried at fair value with changes in the fair value reported in earnings.

- Long-term investments in bonds and debentures are classified either as available-for-sale or held-for-trading and their fair value is determined using quoted market bid prices. Held-for-trading bonds and debentures are recorded at fair value with realized gains and losses on sale and changes in the fair value of these bonds recorded in investment income in the statement of operations. Available-for-sale bonds and debentures are recorded at fair value with changes in the fair value of these bonds recorded in unrealized gains and losses booked as a charge to net assets. Realized gains and losses on sale are reclassified from net assets and recorded in investment income in the statement of operations.

- Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

- Accounts payable and accrued liabilities and provision for claims are classified as other financial liabilities, which are measured at amortized cost.

- The Corporation has elected to use trade date accounting for regular-way purchases and sales of financial assets.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

2. Significant accounting policies (continued):

(f) Use of estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Significant items subject to such estimates and assumptions include the carrying amount of accounts receivable, capital assets, accounts payable and accrued liabilities, unearned premiums and revenue, provision for claims and the employee future benefit asset. Actual results could differ from those estimates.

3. Future accounting policy changes:

The Public Sector Accounting Board ("PSAB") has issued new accounting standards for government not-for-profit organizations. Agricorp would be classified as a Government NPO ("GNPO") as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting ("PSA") Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants ("CICA") Handbook – Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Corporation plans to select PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Corporation is currently in the process of evaluating the potential impact of adopting these changes.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

4. Funds under administration:

The Corporation provides administration services on a cost recovery basis to process and disburse payments to producers for agricultural programs. These programs are generally administered on behalf of OMAFRA for producers in Ontario, and cover joint Federal/Provincial programs, Federal only programs, and Ontario only programs. Individual program delivery agreements are in place for each program. Program payments are calculated according to the formal program requirements and the delivery agreements. Funding is provided by the Federal and Provincial governments and all funds are segregated in accounts under administration by program until such time as payments are processed for the producers. Funds for these programs are held in accounts with Canadian banks, bankers' acceptances or bank discount notes and all are highly liquid. Due to the nature of these programs that the Corporation administers, it does not recognize program revenue or expenses or receivables or payables for them.

(a) AgriStability:

AgriStability was established under the Growing Forward Framework Agreement as a continuation of the Canadian Agricultural Income Stabilization ("CAIS") program. AgriStability is in effect for 2007 and subsequent years. This program provides agricultural producers with some financial protection against declines in farm margin. For AgriStability and CAIS, participants must enroll in the program and pay administration and enrolment fees based on the selected level of coverage and a reference margin based on the individual participant's production margin for specified prior years. A program benefit is paid to the participant based on the participant's selected level of coverage and when the participant's current production margin falls below the set reference margin. AgriStability provides coverage for margin declines greater than 15%. The AgriInvest program, which is administered by the Federal Government, provides assistance to farmers for the first 15% of margin declines. The Federal and Ontario governments share the program costs on the basis of 60% and 40% respectively.

(b) Ontario Risk Management Program ("RMP"):

The RMP program came into effect August 16, 2007 and expires on March 31, 2013. The program provides Ontario grain and oilseed producers commodity specific price support based on cost of production for the 2007, 2008, 2009 and 2010 crop years. The program is fully funded by Ontario and is an advance against Ontario's share of AgriStability program costs and reduces its share of AgriStability payments. The March 2011 Ontario provincial budget announced the introduction of a multi-commodity risk management program. It covers the horticulture, livestock and grain and oilseeds commodity groups. The Corporation has been selected as the delivery agent for this program and is currently in the process of working with OMAFRA in defining the program details and evaluating the program's impact on operations.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

4. Funds under administration (continued):

(c) Ontario Cost Recognition Top up Program ("OCRT"):

The OCRT program came into effect June 7, 2007 and expires on March 31, 2013. This program provides producers with a payment in recognition of increased agricultural production costs over the years 2000 to 2004. The Ontario payment is calculated as 66.67% of the Federal Cost of Production Payment Program ("COP").

(d) Self Directed Risk Management Program ("SDRM"):

The current SDRM program delivery agreement between the Corporation and OMAFRA came into effect April 1, 2007 and expires on March 31, 2013. Under the terms of the program, a producer deposits into the program account a percentage of their eligible net sales and a matching contribution is also made into the account by the Federal and/or Ontario governments. Claims are paid out of the program account to participants, but the total payment amount for a program year shall not exceed the total available funds in the account.

(e) Orchards and Vineyards Transition Program ("OVTP"):

OVTP was established in 2008 under an Agreement between OMAFRA and the Corporation and expires March 31, 2016. The program provides compensation to qualifying grape, apple, and tender fruit producers for part of the costs of removing and disposing of fruit tress and/or grapevines. This voluntary program was designed to assist producers to adapt to industry pressures and changing markets. This program was in effect for the 2008, 2009 and 2010 crop years.

(f) Ontario Cattle, Hog and Horticultural Payment Program ("OCHHP"):

The OCHHP program came into effect December 13, 2007 and expires March 31, 2013. Under the terms of the agreement, producers may be eligible to receive a one-time payment if they received a federal COP or OCRT payment, and have at least 50% of their allowable net sales in specified commodities (cattle, hogs and horticulture). The payment is based on a specified formula.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

4. Funds under administration (continued):

(g) General Top Up Program ("GTUP"):

GTUP was established under the Canada-Ontario Implementation Agreement and expired on March 31, 2008. Under the terms of the agreement, producers that participate in CAIS and receive a payment under that program are eligible for a top-up payment based on a fixed percentage of their 2003 and 2004 CAIS government benefits.

(h) Plum Pox Program ("PPV"):

The current program delivery agreement between OMAFRA and the Corporation came into effect April 1, 2008 and expires on December 31, 2011. The Plum Pox Program was established pursuant to the Canada-Ontario Agreement on Responding to the Presence of the Plum Pox Virus in Ontario and came into effect on June 29, 2001. The Program is a multi-year plan to carry out plum pox detection surveys and other activities to help contain or eradicate the plum pox virus in Ontario. In addition, the program assists commercial tender fruit growers with the asset loss incurred when trees are removed as part of the plum pox control measures. Canada and Ontario have agreed to share overall program costs based on funds available for agricultural assistance at each level of government.

(i) CAIS Inventory Transition Initiative ("CITI"):

The CITI program came into effect May 18, 2006 and expired March 31, 2010. This program was administered on behalf of the Federal government.

(j) Ontario Inventory Transition Program ("OITP"):

The OITP program came into effect September 14, 2006 and expired March 31, 2011. This program was administered on behalf of OMAFRA.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

4. Funds under administration (continued):

(k) Farm Business Registration ("FBR"):

In accordance with the Farm Registration and Farm Organizations Funding Act (1993), each farmer in Ontario who grosses more than $7,000 in farm income is required to register his farm business. In return for the registration fee, farmers pay a reduced property tax rate on agricultural land (25% versus 100%), and are granted membership in the GFO of their choice. The Corporation collects the fee from the producer and remits it, less an administrative charge, to the GFO of the producer's choice.

The following summarizes the transactions related to the funds under administration for the year ended March 31, 2011 and the remaining estimate of program payments expected to be paid to producers for programs that the Corporation administers. The remaining estimate is not included in the Corporation's balance sheet.

	Opening Balance 2011	Federal Funding	Provincial Funding	Other	Payments	Closing Balance 2011	Remaining Estimate	
							2011	2010
	$	$	$	$	$	$	$	$
AgriStability	23,222	93,837	62,012	8,371	(136,561)	50,881	258,222	265,158
RMP	6,937	-	32,062	(5,124)	(32,662)	1,213	6,717	4,938
OCRT	565	-	(104)	(422)	-	39	-	1,326
SDRM	2,543	-	-	-	(277)	2,266	-	3,068
OVTP	521	-	6,280	(24)	(6,763)	14	-	9,041
OCHHP	1,561	-	(990)	(552)	(1)	18	-	481
GTUP	2,203	-	-	40	(41)	2,202	-	2,897
PPV	349	1,515	661	(855)	(1,606)	64	30	3,573
CITI	23	-	-	513	(358)	178	60	6,998
OITP	145	-	-	295	(244)	196	40	5,069
Other	390	343	218	(209)	(572)	170	144	293
Total	38,459	95,695	100,139	2,033	(179,085)	57,241	265,213	302,842

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

5. Accounts Receivable:

Accounts receivable are comprised primarily of amounts due from the Federal and Ontario governments and amounts due from producers.

	2011	2010
Government funding - Canada	$ 5,848	$ 5,158
Government funding - Ontario	4,205	3,459
Other	2,509	2,208
Total	$ 12,562	$ 10,825

6. Investments:

Legislation restricts the Corporation's investments to highly liquid, high-grade instruments such as Federal and Provincial bonds, deposit notes issued by domestic financial institutions and other securities approved by the Minister of Finance.

(a) Portfolio profile:

Investments, at carrying amount and fair value, are as follows:

	2011	2010
Short-term	$ 123,447	$ 123,846
Long-term:		
Government of Canada	53,632	63,424
Province of Ontario	133,554	114,025
Other provincial governments	174,714	113,925
Provincial utilities	37,707	24,521
Financial institutions	107,771	82,371
Total investments	$ 630,825	$ 522,112

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

6. Investments (continued):

(b) Maturity profile of the investment portfolio:

	2011	2010
<1 Year	$ 123,447	$ 123,846
1-3 Years	241,973	137,087
3-5 Years	167,640	146,694
>5 Years	97,765	114,485
Total investments	$ 630,825	$ 522,112

7. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Furniture and fixtures	$ 1,060	$ 996	$ 64	$ 218
Computer hardware	6,607	6,160	447	596
Computer software	7,025	6,632	393	456
Leasehold improvements	1,908	1,713	195	397
	$ 16,600	$ 15,501	$ 1,099	$ 1,667

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

8. Financial instruments:

(a) Fair value of financial assets and financial liabilities:

The carrying value of cash, short-term investments, accounts receivable and accounts payables and accrued liabilities approximate their fair value due to the relatively short periods to maturity of the instruments.

The fair value of investments is based on quoted market values.

(b) Interest rate risk:

Interest rate risk refers to the adverse consequences of interest rate changes on the Corporation's cash flows, financial position and excess of revenue over expenses.

Fluctuations in interest rates have a direct impact on the market valuation of the Corporation's fixed income securities portfolio. The coupon rates from the long-term bond portfolio range from 3.05% to 7.50% with a weighted average yield of 4.79%. Fluctuations in interest rates could have a significant impact on the fair value of the bond portfolio. Although bonds are generally held to maturity, realized gains or losses could result if actual PI claim levels differ significantly from expected claims, and liquidation of long-term investments is required to meet obligations.

(c) Credit risk:

Credit risk is the risk that other parties fail to perform as contracted. The Corporation is exposed to credit risk principally through balances receivable from the Federal and Provincial governments and producers as well as through its investment securities. Credit risk arises from the Corporation's positions in term deposits, corporate debt securities, government bonds and from the possibility that the entities to which the Corporation advances funds may experience difficulty and be unable to fulfill their obligations. Legislation restricts the types of investments the Corporation may hold to high grade Canadian debt instruments and investments approved by the Ministry of Finance which significantly reduces credit risk.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

9. Operating funding - Ontario and Canada:

The governments of Canada and Ontario have agreed to share the costs of administering PI, AgriStability, GTUP and PPV (asset loss) at the rate of 60% and 40% respectively. The cost to administer SDRM is funded by the Federal Government and/or Ontario, depending on the program year. The costs to administer the RMP, OCRT, OCHHP, OITP and OVTP programs are funded by Ontario. The costs to administer the PPV (detection surveys) and CITI programs are funded by the Federal Government.

10. Unearned premiums and revenue:

Unearned premiums represent premiums of $23,279 (2010 - $15,832) paid in advance to PI for crops that have yet to be harvested. These crops are not harvested until after the balance sheet date, giving rise to the deferral of the premiums received. Unearned revenue includes operating funding related primarily to the unamortized value of capital assets of $1,099 (2010 - $1,667) and other unearned amounts of $3,389 (2010 - $3,503).

11. Reinsurance agreement:

The Corporation has an ongoing program of reinsurance with a number of insurance carriers. This program provides for the reinsuring companies to assume PI losses based on negotiated thresholds. The Corporation purchased reinsurance for 2010 PI claims in excess of $286,000 to a maximum of $453,000. As actual claims for the 2010 crop year were less than the minimum threshold, no reinsurance payments were received by the Corporation.

The Corporation signed an agreement in December 2010 whereby it would purchase reinsurance through a number of carriers for the 2011 crop year. The amount being purchased under this agreement is to mitigate losses between 13% and 19% of insured liability (subject to a maximum of $2,900,000 of liabilities). The amount purchased for 2010 was for a maximum of $2,625,000 in liabilities but the actual liability was finalized at $2,382,000 giving rise to the coverage noted in the preceding paragraph. The Corporation is purchasing less reinsurance in 2011 compared with 2010 because of the size of the PI fund surplus.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

12. Pension plan:

The Corporation has a mandatory contributory defined benefit plan for its full-time employees. The changes for the defined benefit plan of the Corporation during the year are as follows:

	2011	2010
Accrued benefit obligation:		
Balance, beginning of year	$ 18,318	$ 10,856
Current service cost	1,780	637
Interest cost	1,385	1,075
Employee contributions	1,383	1,303
Benefits paid	(592)	(304)
Actuarial loss	2,307	4,751
Balance, end of year	$ 24,581	$ 18,318
Plan assets:		
Fair value, beginning of year	$ 18,090	$ 10,547
Actual return on plan assets	2,242	2,473
Employer contributions	3,081	4,071
Employee contributions	1,383	1,303
Benefits paid	(592)	(304)
Fair value, end of year	$ 24,204	$ 18,090
Funded status:		
Plan deficit	$ (377)	$ (228)
Unamortized actuarial loss	4,843	3,603
Unamortized transitional obligation	(65)	(78)
Accrued benefit asset	$ 4,401	$ 3,297

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

12. Pension plan (continued):

The significant actuarial assumptions adopted in measuring the accrued benefit asset of the Corporation are as follows:

	2011	2010
Discount rate to determine accrued benefit obligation	6.0%	6.5%
Discount rate to determine benefit cost	6.5%	8.5%
Expected long-term rate of return on plan assets	6.5%	7.0%
Rate of compensation increase	4.0%	4.0%
The net benefit plan expense is as follows:		
Current services cost	$ 1,780	$ 637
Interest cost	1,385	1,075
Expected return on plan assets	(1,293)	(917)
Amortization of transitional obligation	(13)	(13)
Amortization of unrecognized loss	118	-
Net benefit plan expense	$ 1,977	$ 782

The percentage of total fair value of plan assets by category is as follows:

Security type	% of plan	% of plan
Canadian equities	36.7	34.9
US equities	16.8	15.6
International equities	11.4	10.9
Bonds	32.6	36.8
Cash and cash equivalents	2.5	1.8
Total Fund	100.0	100.0

An external investment advisor manages the investments held by the pension plan.

The most recent pension plan actuarial valuation was as of January 1, 2010. As of January 1, 2010, the plan was underfunded by approximately $2,200 on a going concern basis and had a solvency and wind-up surplus of $279. The next actuarial valuation is expected to be completed as of January 1, 2013.

AGRICORP

Notes to Financial Statements, continued
(in thousands of dollars)
Year ended March 31, 2011

13. Commitments:

(i) Lease commitments:

The Corporation leases its office premises. The minimum aggregate rentals for these leases and other obligations for the next five years are as follows:

2012	$	2,205
2013		1,331
2014		964
2015		885
2016		900
	$	6,285

(ii) Contingencies:

During the normal course of business, certain claims or program payments may be denied by the Corporation. As a result, various claims or proceedings have been, or may be, initiated against the Corporation. The disposition of the matters that are pending or asserted is not expected by management to have a material effect on the financial position of the Corporation or on its results of operations.

14. Related party transactions:

The Corporation has entered into several agreements to acquire services from OMAFRA. The cost for administrative, legal and audit services amounted to $226 (2010 - $574). In addition, the Corporation rents its head office location from the Ontario Realty Corporation for a total cost for the year of $1,300 (2010 - $1,500). The Corporation earned revenue of $50,443 (2010 - $55,082) from OMAFRA as its share of PI premium and operating funding.

15. Capital management:

The main objective of the Corporation when managing its capital is to safeguard its ability to continue as a going concern, so that it can continue to deliver agricultural safety net plans and services to the farm, food and rural sectors of Ontario.

The Corporation is limited to administering the PI, business risk management programs (Entitlement Programs), and such other program as are approved. The Corporation ensures that it has sufficient capital and working capital through appropriate delivery agreements with its funding partners.

AGRICORP

Notes to Financial Statements, continued

Year ended March 31, 2011

16. Board remuneration and salary disclosure:

Total remuneration to members of the Board of Directors was $37,240 during calendar 2010 (2009 - $40,111).

The Public Sector Salary Disclosure Act, 1996, requires the Corporation to disclose employees paid an annual salary in excess of $100,000. For the 2010 calendar year, the amounts paid to such employees are:

Name	Position	Salary	Taxable Benefits
Beifuss, Erich	Chief Financial Officer	$ 160,119	$ 573
Bhimji, Zeenat	Information Architect	113,000	416
Brown, Greg	Director, Risk Management	121,906	443
Cote-Kennedy, Annie	Director, Communication	124,598	458
Dosanjh, Baljit	Director, Corporate Project Management Office	121,283	444
Ensafi, Masoud	Manager, Development Services	113,230	426
Fazil, Abbas	Director, Architecture Services	138,833	510
Fung, Patrick	Controller	122,822	450
Gallagher, Jocelyn	Senior Director, Human Resource & Organizational Development	140,142	514
Ip, Stephen	Director, Information Technology Application and Computing & Network Services	138,493	517
Jackiw, Randy	Chief Executive Officer	182,422	12,622
LaRose, Doug	Chief Information Officer	177,741	650
Lennox, Lee Ann	Director, Strategic Management & Communications	108,840	399
Meneray, Debra	Senior Director, Program Delivery	141,683	517
Sayer, Greg	Senior Counsel and Director Legal Services	117,774	480
Smith, Valerie	Manager, Financial Reporting	101,775	377
Vlcek, Michael	Senior Director, Program Development	135,361	496
Wong, Roxana	Senior Manager, Information Technology Client Service	119,231	434

17. Comparative figures:

Certain 2010 comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

The Agricultural Research Institute of Ontario

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Agricultural Research Institute of Ontario (ARIO) have been prepared in accordance with Canadian generally accepted accounting principles. Management is responsible for the accuracy, integrity, and objectivity of the information contained in the financial statements.

The preparation of financial statements necessarily involves the use of estimates based on management's best judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. These financial statements have been prepared within reasonable limits of materiality with information available up to and including June 13, 2011.

In discharging its responsibility for the integrity of the financial statements, management maintains financial and management control systems and practices designed to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

The financial statements have been examined by RLB LLP, independent external auditors appointed by the Ontario Ministry of Agriculture, Food and Rural Affairs on behalf of ARIO. The external auditors' responsibility is to express an opinion on whether the financial statements are presented fairly in accordance with generally accepted accounting principles. The Auditors' Report outlines the scope of their examination and opinion.

On behalf of management:

Karen Chan
Director of Research

Rob Cunnington, C.A.
Comptroller

INDEPENDENT AUDITOR'S REPORT

To the members of: Agricultural Research Institute of Ontario

Report on the Financial Statements
We have audited the accompanying financial statements of Agricultural Research Institute of Ontario, which comprise the statement of financial position as at March 31, 2011 and the statements of revenues and expenditures and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, these financial statements present fairly, in all material respects, the financial position of Agricultural Research Institute of Ontario as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

RLB LLP

Chartered Accountants
Licensed Public Accountants

Guelph, Ontario
June 13, 2011

STATEMENT 1

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2011

ASSETS

	2011 (schedule 1)	2010
CURRENT		
Cash	$ 1,280,423	$ 164,872
Temporary investments	8,080,181	8,886,098
Accounts receivable	349,951	405,618
	9,710,555	9,456,588
CAPITAL ASSETS UNDER CONSTRUCTION	1,978,482	1,127,537
CAPITAL ASSETS (note 4)	52,585,459	54,660,104
	$ 64,274,496	$ 65,244,229
LIABILITIES		
CURRENT		
Accounts payable and accruals	$ 1,577,973	$ 1,295,866
Holdbacks payable	537,419	471,983
Unclaimed expenditures	4,739,236	5,955,158
Deferred revenue	1,559	23,211
	6,856,187	7,746,218
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (note 5)	2,150,000	1,150,000
DEFERRED CAPITAL CONTRIBUTIONS (note 6)	38,349,547	40,419,333
	47,355,734	49,315,551
NET ASSETS		
FUND BALANCES	16,918,762	15,928,678
	$ 64,274,496	$ 65,244,229

see accompanying notes

STATEMENT 2

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2011

	2011 (schedule 2)	2010
REVENUES		
Research		
Grants - provincial (note 9)	$ 1,850,000	$ 2,100,000
Grants - other	100,000	100,000
Intellectual property	1,077,756	944,784
	3,027,756	3,144,784
Property		
Grants - provincial - minor capital (note 9)	5,250,000	4,000,000
Rental income - provincial	317,440	318,495
Rental income - private industry	668,774	681,020
Operations and maintenance - provincial	386,859	388,583
Operations and maintenance - private industry	3,000	3,000
Transfer payments - payments in lieu of taxes (note 9)	250,000	550,000
Payments in lieu of taxes	65,430	65,529
Amortization of deferred capital contribution	2,069,786	2,030,413
	9,011,289	8,037,040
Other		
Investment income	386,636	260,988
	12,425,681	11,442,812
EXPENDITURES		
Research		
Research project\program	3,137,516	3,477,764
Intellectual property expenses	575,538	915,572
	3,713,054	4,393,336
Property		
Payments in lieu of taxes	723,609	684,943
Minor capital	5,528,856	5,217,654
Operations and maintenance	603,617	678,267
Amortization of capital assets	2,074,645	2,034,894
	8,930,727	8,615,758
Other		
Other expenses	7,538	17,258
Write down of investments	200	0
	7,738	17,258
	12,651,519	13,026,352
NET EXPENDITURES OVER REVENUES for the year	(225,838)	(1,583,540)
FUND BALANCES, beginning of year	15,928,678	16,585,012
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES	1,215,922	1,030,811
UNREALIZED DEPRECIATION IN INVESTMENTS	0	(19,320)
CONTRIBUTED ASSETS (note 7)	0	(38,000)
FUNDS RETURNED TO THE PROVINCIAL GOVERNMENT	0	(46,285)
FUND BALANCES, end of year	$ 16,918,762	$ 15,928,678

see accompanying notes

STATEMENT 3

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2011

	2011	2010
CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES		
Net expenditures over revenues for the year	$ (225,838)	$ (1,583,540)
Items not requiring an outlay of cash		
Amortization	2,074,645	2,034,894
Unrealized depreciation in investments	0	(19,320)
Deferred capital contributions	(2,069,786)	(2,030,413)
	(220,979)	(1 598 379)
Changes in non-cash working capital		
Accounts receivable	55,667	10,021
Temporary investments	805,917	(788,544)
Accounts payable and accruals	282,107	317,751
Deferred capital funded contributions	1,000,000	1,150,000
Holdbacks payable	65,436	(38,629)
Funds returned to the provincial government	0	(46,285)
Deferred revenue	(21,652)	23,211
	1,966,496	(970,854)
CASH USED IN INVESTING ACTIVITIES		
Additions to capital assets	0	(194,380)
Capital assets under construction	(850,945)	(1,127,537)
	(850,945)	(1,321,917)
NET INCREASE (DECREASE) IN CASH for the year	1,115,551	(2,292,771)
NET CASH, beginning of year	164,872	2,457,643
NET CASH, end of year	$ 1,280,423	$ 164,872

see accompanying notes

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

1. NATURE OF BUSINESS

The Agricultural Research Institute of Ontario (ARIO) is a non-profit corporate body reporting directly to the Ministry of Agriculture, Food and Rural Affairs. It was created by the ARIO Act (1962) with specific responsibilities over the co-ordination and direction of agricultural research programs in Ontario. These programs relate to a broad range of commodities and disciplines, covering all aspects of the agri-food system. In addition, ARIO manages the Vegetation Management Alternatives Program research fund on behalf of the Ministry of Natural Resources, and all funding is provided by the Ministry of Natural Resources.

Funding for programs supported by ARIO is available from three sources. The Ontario Government, through the Ministry of Agriculture, Food and Rural Affairs, is the primary source of funding. The Ontario Government also provides funding for the competitive research programs. The secondary source of funding is the Federal Government, mainly through Agriculture and Agri-Food Canada (AAFC). Under the ARIO Act, the Institute may accept grants and donations for research. Other funds usually come from commercial sources (such as agri-business, marketing boards, and producer associations) and can be either designated for specific projects or non-designated. In addition, with the approval of the Minister of Agriculture, Food and Rural Affairs, ARIO is able to hold patents and earn royalties on research developments.

All receipts are held in trust by the Director of Research and are allocated in accordance with the terms of the funds.

The research trust funds are managed by the secretariat to ARIO as follows:

- Agricultural Research Institute of Ontario (ARIO)
- Alternative Renewable Fuels (ARF)
- Vegetation Management Alternatives Program (VMAP)
- New Directions and Alternative Renewable Fuels Research Program (New Direction)
- Food Safety Research Program (Food Safety)
- Infrastructure

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following significant accounting policies:

(a) BASIS OF ACCOUNTING

Agricultural Research Institute of Ontario follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue of the appropriate research trust fund in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue of the appropriate research trust fund when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

(b) INVESTMENTS

Investments classified as available-for-sale are recorded at market value. Investments classified as held-to-maturity are recorded at amortized cost. Unrealized gains and losses on available-for-sale financial assets are included directly to the fund balance until the asset is removed from the statement of financial position.

(c) UNCLAIMED EXPENDITURES

Unclaimed expenditures are defined as the total approved budget for competitive research projects less expenses incurred to date.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) CAPITAL ASSETS

Capital assets are amortized using the following annual rate and method:

Buildings	- 40 year straight line

(e) IMPAIRMENT OF LONG LIVED ASSETS

Long lived assets are tested for recoverability whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. An impairment loss is recognized when the carrying value exceeds the total undiscounted cash flows expected from their use and eventual disposition. The amount of the impairment loss is determined as the excess of the carrying value of the asset over its fair value.

(f) DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions are amortized at the same rate as the buildings to which they relate.

(g) INCOME TAXES

ARIO is a non-profit organization within the meaning of the Income Tax Act (Canada) and is exempt from income taxes.

(h) RESTRICTIONS ON THE EXPENDITURE OF FUNDS

The purpose, funding, terms and conditions and duration of each research trust fund are stipulated in the relevant Order-in-Council, memorandum of understanding or Ministry correspondence.

(i) USE OF ESTIMATES

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant areas requiring the use of management estimates and assumptions relate to the valuation of accounts receivable and accounts payable and the useful life of capital assets. Actual results could differ from those estimates.

3. FINANCIAL INSTRUMENTS

Credit risk management

The organization's financial instruments consist of cash, temporary investments, accounts receivable, accounts payable and accruals, and holdbacks payable. Unless otherwise noted, it is management's opinion that the organization is not exposed to significant interest, liquidity, currency or credit risks arising from these financial instruments.

The organization does not have a significant exposure to any individual customer or counterpart.

Fair value of financial assets and financial liabilities

The carrying values of cash, temporary investments, accounts receivable, accounts payable and accruals, and holdbacks payable approximate their fair value due to the relatively short periods to maturity of these items.

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

4. CAPITAL ASSETS

	Cost	Accumulated Amortization	Net 2011	Net 2010
Land:				
Simcoe railway line	$ 9,793	$ 0	$ 9,793	$ 9,793
Colleges	3,095,900	0	3,095,900	3,095,900
Research Stations	10,945,180	0	10,945,180	10,945,180
	14,050,873	0	14,050,873	14,050,873
Buildings:				
Colleges	27,617,995	4,953,811	22,664,184	23,880,964
Research Stations	19,514,842	3,644,440	15,870,402	16,728,267
	47,132,837	8,598,251	38,534,586	40,609,231
	$ 61,183,710	$ 8,598,251	$ 52,585,459	$ 54,660,104

As at March 6, 2007, the titles for capital assets (land and buildings) with a carrying value of approximately $60.9 million were transferred to ARIO from the Government of Ontario. Carrying value is being used as the transfer value since the transfer took place between non-arm's length parties, is non-monetary in nature and does not have commercial substance. As an agency of the Government of Ontario, ARIO reports these capital assets (and other assets and liabilities) in consolidation with the Ministry of Agriculture, Food and Rural Affairs on an annual basis.

5. DEFERRED CAPITAL FUNDED CONTRIBUTIONS

The organization received funding from the provincial government (Ontario Ministry of Agriculture, Food and Rural Affairs) towards a capital project undertaken during the fiscal year known as Elora Livestock Environmental and Energy Complex. The project is estimated to be completed in 2014.

6. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent the net book value of the buildings transferred to ARIO from the Government of Ontario.

7. CONTRIBUTED ASSETS

Contributed assets represent the cost of the land transferred to ARIO from the Government of Ontario.

8. ARIO RESEARCH FUND

	Seed Royalty	Technology Royalty	Unpledged Equity	Total 2011	Total 2010
Revenue					
Intellectual property	$ 733,623	$ 344,133	$ 0	$ 1,077,756	$ 944,784
Investment income	60,964	74,052	200	135,216	61,960
	794,587	418,185	200	1,212,972	1,006,744
Expenses	558,159	24,917	200	583,276	932,830
Net surplus for the year	236,428	393,268	0	629,696	73,914
Fund balance, beginning of year	951,557	1,097,909	0	2,049,466	1,981,246
Unrealized depreciation in investments	0	0	0	0	(5,694)
Fund balance, end of year	$ 1,187,985	$ 1,491,177	$ 0	$ 2,679,162	$ 2,049,466

AGRICULTURAL RESEARCH INSTITUTE OF ONTARIO
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2011

9. GRANTS RECEIVED FROM THE PROVINCIAL GOVERNMENT

The following grants have been received from the Ontario Ministry of Agriculture, Food and Rural Affairs:

	2011	2010
New Directions Research Program	$ 1,350,000	$ 1,350,000
Food Safety Research Program	500,000	500,000
Alternative Renewable Fuels	0	250,000
	1,850,000	2,100,000
Minor capital	5,250,000	4,000,000
Elora Livestock Environmental and Energy Complex	1,000,000	1,150,000
Payments in lieu of taxes	250,000	550,000
	$ 8,350,000	$ 7,800,000

10. CAPITAL DISCLOSURES

The organization defines capital as the sum of fund balances and is calculated as follows:

	2011	2010
Fund balances, being capital	$ 16,918,762	$ 15,928,678

The organization's objective when managing capital is to safeguard the organization's ability to continue as a going concern and to hold sufficient fund balances to enable it to withstand negative unexpected financial events in order to maintain stability in the financial structure.

The organization seeks to maintain sufficient liquidity and short term borrowing capacity to enable it to meet its obligations as they become due. The organization manages the capital structure and makes adjustments to it in light of changes in economic conditions. In order to maintain or adjust the capital structure, the organization may modify or seek additional government funding.

The organization is not subject to externally imposed capital requirements.

Schedule 1

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Financial Position
As at March 31, 2011

	ARIO	Infrastructure	ARF	VMAP	New Directions	Food Safety	Eliminations	March 31, 2011 Total (statement 1)
	$	$	$	$	$	$	$	$
ASSETS								
CURRENT ASSETS								
Cash	1,280,423							1,280,423
Temporary investments	8,080,181							8,080,181
Due from ARIO		2,380,685	763,458	12,277	2,021,765	953,862	(6,132,047)	0
Accounts receivable	302,544	32,681	3,001	26	7,928	3,771		349,951
	9,663,148	2,413,366	766,459	12,303	2,029,693	957,633	(6,132,047)	9,710,555
CAPITAL ASSETS UNDER CONSTRUCTION		1,978,482						1,978,482
CAPITAL ASSETS (note 4)	9,793	52,575,666						52,585,459
	9,672,941	56,967,514	766,459	12,303	2,029,693	957,633	(6,132,047)	64,274,496
LIABILITIES								
CURRENT LIABILITIES								
Due to other research trust funds	6,132,047						(6,132,047)	0
Accounts payable and accruals	861,732		37,861		518,342	160,038		1,577,973
Holdbacks payable			103,140		421,899	12,380		537,419
Unclaimed expenditures			97,437		3,703,922	937,877		4,739,236
Deferred revenue		1,559						1,559
	6,993,779	1,559	238,438	0	4,644,163	1,110,295	(6,132,047)	6,856,187
DEFERRED CAPITAL FUNDED CONTRIBUTIONS (notes 5 & 9)		2,150,000						2,150,000
DEFERRED CAPITAL CONTRIBUTIONS (note 6)		38,349,547						38,349,547
	6,993,779	40,501,106	238,438	0	4,644,163	1,110,295	(6,132,047)	47,355,734
FUND BALANCES, end of year	2,679,162	16,466,408	528,021	12,303	(2,614,470)	(152,662)		16,918,762
	9,672,941	56,967,514	766,459	12,303	2,029,693	957,633	(6,132,047)	64,274,496

see accompanying notes

Schedule 2

Agricultural Research Institute of Ontario
Research Trust Funds
Schedule of Revenues and Expenditures
For the year ended March 31, 2011

	ARIO (note 8) $	Infrastructure $	ARF $	VMAP $	New Directions $	Food Safety $	March 31, 2011 Total (statement 2) $
REVENUE							
Research							
Grants - provincial					1,350,000	500,000	1,850,000
Grants - other			100,000				100,000
Intellectual property	1,077,756						1,077,756
	1,077,756	0	100,000	0	1,350,000	500,000	3,027,756
Property							
Grants - provincial - minor capital		5,250,000					5,250,000
Rental income - provincial		317,440					317,440
Rental income - private industry		668,774					668,774
Operations and maintenance - provincial		386,859					386,859
Operations and maintenance - private industry		3,000					3,000
Transfer payments - payments in lieu of taxes		250,000					250,000
Payments in lieu of taxes		65,430					65,430
Amortization of deferred capital contribution		2,069,786					2,069,786
	0	9,011,289	0	0	0	0	9,011,289
Other							
Investment income	135,216	87,878	32,511	5,058	89,743	36,230	386,636
	1,212,972	9,099,167	132,511	5,058	1,439,743	536,230	12,425,681
EXPENDITURES							
Research							
Research project\program			263,826	202,529	2,219,160	452,001	3,137,516
Intellectual property	575,538						575,538
	575,538	0	263,826	202,529	2,219,160	452,001	3,713,054
Property							
Payments in lieu of taxes		723,609					723,609
Minor capital		5,528,856					5,528,856
Operations and maintenance		603,617					603,617
Amortization of capital assets		2,074,645					2,074,645
	0	8,930,727	0	0	0	0	8,930,727
Other							
Other expenses	7,538						7,538
Write down of investment	200						200
	7,738	0	0	0	0	0	7,738
	583,276	8,930,727	263,826	202,529	2,219,160	452,001	12,651,519
NET REVENUE (EXPENDITURES)	629,696	168,440	(131,315)	(197,471)	(779,417)	84,229	(225,838)
FUND BALANCE, beginning of year	2,049,466	16,297,968	397,404	68,950	(2,667,463)	(217,647)	15,928,678
NET AMOUNT TRANSFERRED FROM UNCLAIMED EXPENDITURES	0	0	261,932	140,824	832,410	(19,244)	1,215,922
FUND BALANCE, end of year	2,679,162	16,466,408	528,021	12,303	(2,614,470)	(152,662)	16,918,762

see accompanying notes

Algonquin Forestry Authority

Year ended March 31, 2011

Management's Responsibility for Financial Information

Management and the Board of Directors of the Algonquin Forestry Authority are responsible for the financial statements and all other information presented in this Annual Report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgements.

The Algonquin Forestry Authority is dedicated to the highest standards of integrity in its business. To safeguard the Authority's assets, the Authority has a sound and dynamic set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the *Algonquin Forestry Authority Act*.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal control. The Board of Directors meets regularly to oversee the financial activities of the Authority and at least annually to review the financial statements and the external auditors' report thereon, and recommends them to the Minister of Natural Resources for approval.

The financial statements have been examined by the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Independent Auditor's Report outlines the scope of the Auditor's examination and opinion.

Tim Doyle

Tim Doyle,C.A.
Treasurer

Daniel Janke, MBA
General Manager

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Members, Algonquin Forestry Authority,
and to the Minister of Natural Resources

I have audited the accompanying financial statements of the Algonquin Forestry Authority, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Algonquin Forestry Authority as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 23, 2011

Gary Peall, CA
Deputy Auditor General
Licensed Public Accountant

Algonquin Forestry Authority

Statement of Financial Position

March 31, 2011, with comparative information for 2010

		2011		2010
Assets				
Current assets:				
Cash	$	1,533,402	$	2,505,722
Accounts receivable		8,248,468		5,988,464
Inventory		360,606		358,049
Prepaid expenses		1,962		5,147
		10,144,438		8,857,382
Capital assets (note 3)		401,592		346,610
	$	10,546,030	$	9,203,992
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accrued liabilities	$	1,808,165	$	1,188,656
Contractors' performance holdbacks		111,485		61,185
Due to Consolidated Revenue Fund		460,137		183,452
Deferred contributions (note 4)		560, 492		260,626
		2,940,279		1,693,919
Obligation for employee future benefits (note 5)		418,771		457,148
		3,359,050		2,151,067
Net assets:				
Invested in capital assets		401,592		346,610
Restricted – Forest Renewal Fund (notes 6 & 7)		2,500,000		2,500,000
Unrestricted - General Fund		4,285,388		4,206,315
		7,186,980		7,052,925
	$	10,546,030	$	9,203,992

See accompanying notes to financial statements.

On behalf of the Board

_______________ Director

_______________ Director

Algonquin Forestry Authority

Statement of Operations

Year Ended March 31, 2011, with comparative information for 2010

	General Fund	Forest Renewal Fund	**2011 Total**	2010 Total
Revenue:				
Product sales	$ 16,903,332	$ -	**$ 16,903,332**	$ 16,199,305
Forest renewal activity	-	897,695	**897,695**	808,947
Standing timber sales	36,623	-	**36,623**	3,240
Other (Note 8)	2,249,623	586,824	**2,836,447**	2,191,335
	19,189,578	1,484,519	**20,674,097**	19,202,827
Expense:				
Direct program costs	14,687,066	1,605,502	**16,292,568**	15,125,739
Crown timber stumpage charges	1,705,741	-	**1,705,741**	1,654,067
Public access road maintenance	291,039	-	**291,039**	266,532
Operations planning	131,683	-	**131,683**	165,286
Wood measurement	40,561	-	**40,561**	60,365
	16,856,090	1,605,502	**18,461,592**	17,271,989
Operating Income	2,333,488	(120,983)	**2,212,505**	1,930,838
Administrative and other:				
Salaries and benefits	1,431,330	212,542	**1,643,872**	1,843,949
Amortization of capital assets	190,924	42,167	**233,091**	184,979
Office supplies and expenses	91,707	3,029	**94,736**	109,252
Office rent	40,161	13,910	**54,071**	51,925
Directors' allowances	29,920	-	**29,920**	37,088
Insurance	15,735	6,617	**22,352**	23,325
Staff travel and training	14,270	2,712	**16,982**	14,696
Public relations	16,458	-	**16,458**	24,875
Consulting, legal and miscellaneous	1,230	-	**1,230**	1,280
	1,831,735	280,977	**2,112,712**	2,291,369
Excess (deficiency) of revenue over expenses before the undernoted	501,753	(401,960)	**99,793**	(360,531)
Recovery of penalties and interest on GST assessment (Note 9)	34,262	-	**34,262**	200,000
Excess (deficiency) of revenue over expenses	$ 536,015	$ (401,960)	**$ 134,055**	$ (160,531)

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Changes in Net Assets
Year Ended March 31, 2011, with comparative information for 2010

	Invested In Capital Assets	Restricted - Forest Renewal Fund	Unrestricted - General Fund	**2011 Total**	2010 Total
Balance, beginning of year	$ 346,610	$ 2,500,000	$ 4,206,315	**$ 7,052,925**	$ 7,213,456
Interfund transfer (note 7)	-	359,793	(359,793)	-	-
Excess (deficiency) of revenue over expenses	(187,239)	(359,793)	681,087	**134,055**	(160,531)
Investment in capital assets	242,221	-	(242,221)	-	-
Balance, end of year	$ 401,592	$ 2,500,000	$ 4,285,388	**$ 7,186,980**	$ 7,052,925

See accompanying notes to the financial statements.

Algonquin Forestry Authority

Statement of Cash Flows

Year Ended March 31, 2011, with comparative information for 2010

	2011	2010
Cash flows from operating activities:		
Excess (deficiency) of revenue over expenses	$ 134,055	$ (160,531)
Adjustments for:		
Amortization of capital assets	233,091	184,979
Gain on sale of capital assets	(29,634)	(19,629)
	337,512	4,819
Change in non-cash working capital:		
Increase in accounts receivable	(2,260,004)	(2,150,801)
(Increase) decrease in inventory	(2,557)	225,752
Decrease (increase) in prepaid expenses	3,185	(307)
Increase (decrease) in accounts payable and accrued liabilities	619,509	(312,646)
Increase (decrease) in contractors' performance holdbacks	50,300	(10,492)
Increase in due to Consolidated Revenue Fund	276,685	8,787
Increase in deferred contributions	299,866	45,528
Increase (decrease) in obligations for employee future benefits	(38,377)	331
	(713,881)	(2,189,029)
Cash flows from investing activities:		
Acquisition of capital assets	(288,073)	(112,395)
Proceeds on sale of capital assets	29,634	19,629
	(258,439)	(92,766)
Decrease in cash	(972,320)	(2,281,795)
Cash, beginning of year	2,505,722	4,787,517
Cash, end of year	$ 1,533,402	$ 2,505,722

See accompanying notes to financial statements.

Algonquin Forestry Authority

Notes to Financial Statements

Year ended March 31, 2011

Algonquin Forestry Authority (the "Authority") is a Crown Agency which was established by the Ontario Government on January 4, 1975 under the Algonquin Forestry Authority Act, 1974. The Authority is responsible for forest management in Algonquin Provincial Park and operates on a not-for-profit basis. The Authority is exempt from income taxes under the Income Tax Act and is responsible for forest management in Algonquin Provincial Park.

1. **Significant accounting policies:**

(a) Basis of accounting:

The Authority's financial statements are prepared in accordance with Canadian generally accepted accounting principles.

(b) Fund accounting:

The General Fund accounts for the Authority's revenue generating and administrative activities. The Forest Renewal Fund accounts for the forest management activities, including silvicultural work.

(c) Revenue recognition:

Revenue from product sales and forest renewal charges are recognized when the wood is delivered, and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists and the sales price is fixed and determinable.

The Authority accounts for contributions, which include government grants, under the deferral method of accounting as follows:

Operating grants are recorded as revenue in the period to which they relate. Grants approved but not received at the end of a period are accrued. Grants relating to future periods are deferred and recognized in the subsequent period when the related activity occurs.

Unrestricted contributions are recognized as revenue when received or receivable if the amounts can be reasonably estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue in the period in which the related expenses are recognized. Contributions restricted for the purchase of capital assets are deferred and amortized into revenue on the same basis and at rates corresponding to those of the related capital assets.

Sundry other income is recognized when earned.

(d) Inventories:

Inventories, which consist of harvested wood not yet delivered to customers, are measured at the lower of cost and net realizable value with cost being determined on the first-in, first-out basis. Cost includes all acquisition costs incurred in bringing inventory to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business less any applicable selling expenses.

(e) Capital assets:

Capital assets are stated at cost. Amortization is provided on the straight-line basis over their estimated useful lives, using the following bases and annual rates:

Algonquin Forestry Authority
Notes to Financial Statements (continued)
Year ended March 31, 2011

1. Significant accounting policies: (continued)

Asset	Bases	Rate
Automotive equipment	Straight-line	25%
Technical equipment	Straight-line	10%
Portable steel structures	Straight-line	20%
Data processing equipment	Straight-line	20%
Furniture and fixtures	Straight-line	10%
Trailers	Straight-line	10%
Leasehold improvements	Straight-line	10%

The cost of bridges and access roads is amortized over the estimated number of operating seasons for which the bridges and roads are to be used, with a maximum amortization period of 10 years. Forest renewal assets are amortized on the same basis and at the same rates as the assets mentioned above.

(f) Financial instruments:

The Authority accounts for its financial assets and liabilities in accordance with Canadian generally accepted accounting principles. The financial instruments are classified into one of five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the statement of financial position at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations; available-for-sale financial instruments are measured at fair value with unrealized changes in fair value recorded in the statement of changes in net assets until the investment is derecognized or impaired at which time the amounts would be recorded in the statement of operations.

In accordance with the Canadian generally accepted accounting principles, the Authority has undertaken the following:

(i) Designated cash as held-for-trading, being measured at fair value.

(ii) Accounts receivable are classified as loans and receivables, which are measured at amortized cost.

(iii) Accounts payable and accrued liabilities and contractors' performance holdbacks are classified as other financial liabilities, which are measured at amortized cost.

No financial statement recognition is given to embedded derivatives or non-financial contracts with derivative characteristics.

The Authority also complies with CICA 3861, "Financial Instruments – Disclosure and Presentation", for the presentation and disclosure of financial instruments and non-financial derivatives.

The Authority has selected to account for transactions as at the trade date.

Algonquin Forestry Authority

Notes to Financial Statements (continued)
Year ended March 31, 2011

1. **Significant accounting policies: (continued)**

(g) Employee future benefits:

The Authority provides termination benefits to qualifying employees. The Authority accrues its obligations under this benefit plan as the employees render the services necessary to earn the benefit.

Defined contribution plan accounting is applied to a multi-employer defined benefit plan for which the Authority has insufficient information to apply defined benefit plan accounting.

(h) Use of estimates:

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include determination of the allowance for doubtful accounts receivable. Actual results could differ from those estimates. These estimates are reviewed periodically and as adjustments become necessary, they are reported in the statement of operations in the year in which they become known.

2. **Future accounting policy changes:**

The Public Sector Accounting Board ("PSAB") has issued new accounting standards for government not-for-profit organizations. The Authority would be classified as a Government NPO ("GNPO") as its accounts are consolidated with those of the Province of Ontario and meets the criteria to be a GNPO. PSAB will allow GNPOs to choose either the Public Sector Accounting ("PSA") Handbook or the PSA Handbook supplemented by the inclusion of the 4200 series of standards from the Canadian Institute of Chartered Accountants (CICA) Handbook – Accounting into the PSA Handbook as Sections PS 4200 to PS 4270. These standards are effective for fiscal years commencing on or after January 1, 2012. The Organization will be selecting PSA plus the 4200 series of the PSA Handbook and will first report under these standards in its financial statements for the year ending March 31, 2013. The Authority is currently in the process of evaluating the potential impact of adopting these changes.

3. **Capital assets:**

	Cost	Accumulated amortization	**2011 Net Book Value**	2010 Net Book Value
Bridges and access roads	$ 5,346,800	$ 5,320,075	**$ 26,725**	$ 58,270
Portable steel structures	568,178	366,733	**201,445**	130,869
Forest renewal assets	354,180	290,769	**63,411**	72,293
Automotive equipment	285,652	201,504	**84,148**	60,029
Technical equipment	199,564	184,153	**15,411**	9,630
Data processing equipment	149,267	143,564	**5,703**	8,813
Furniture and fixtures	83,358	81,157	**2,201**	3,388
Leasehold improvements	44,803	42,957	**1,846**	2,335
Trailers	13,690	12,988	**702**	983
	$ 7,045,492	$ 6,643,900	**$ 401,592**	$ 346,610

Algonquin Forestry Authority

Notes to Financial Statements (continued)
Year ended March 31, 2011

4. Deferred contributions:

Deferred contributions represent unspent resources received from the Ministry of Natural Resources in the current period and which relate to expenses of future periods. Changes in the deferred contributions balance are as follows:

	2011	2010
Public access road maintenance:		
Balance, beginning of year	$ 166,637	$ 133,089
Add: contributions received in the year	300,000	300,080
Less: amount spent in the year	(291,039)	(266,532)
Balance, end of year	175,598	166,637
Other park-related projects:		
Balance, beginning of year	93,989	82,009
Add: contributions received in the year	336,759	57,844
Less: amount spent in the year	(45,854)	(45,864)
Balance, end of year	384,894	93,989
	$ 560,492	$ 260,626

5. Employee future benefits:

(a) Multi-employer pension plan:

The Authority's full-time employees participate in the Public Service Pension Fund (PSPF) which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the Authority's annual payments to the PSPF. As the sponsor is responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from the statutory actuarial funding valuations are not assets or obligations of the Authority. The Authority's annual payments of $150,607 (2010 - $ 179,838) are included in salaries and benefits in the Statement of Operations.

(b) Termination benefits:

The Authority provides termination benefits to qualifying employees. All full-time employees qualify for a severance payment equal to one week of salary for each year of continuous service with the Authority, to a maximum of one half of the employees' annual salary. The total obligation for severance payments vested amounts to $418,771 (2010 - $ 457,148) at year-end.

(c) Non-pension post-retirement benefits:

The cost of other non-pension post-retirement benefits is the responsibility of the Province, a related party, and accordingly is not accrued or included in the Statement of Operations.

Algonquin Forestry Authority

Notes to Financial Statements (continued)
Year ended March 31, 2011

6. **Forest renewal fund:**

Effective April 1, 2002, the Authority renewed its 20 year agreement with the Ministry of Natural Resources, a related party, to perform forest management activities, including silvicultural work. Funding, on a cost recovery basis, for these activities is derived from stumpage charges levied under the Crown Forest Sustainability Act and grants from the Forestry Futures Fund.

The agreement also requires the Authority to maintain a minimum balance of $ 1,500,000 in the Forest Renewal Fund.

7. **Interfund transfer:**

The Board of Directors has approved, by resolution, that any loss incurred in the Forest Renewal Fund resulting from forest renewal activity expenses exceeding revenue during the year which cannot be funded by the Forest Renewal Fund without causing the Forest Renewal Fund balance to fall below $ 2,500,000 shall be funded by the General Fund.

8. **Road maintenance funding:**

Included in General Fund Other Revenue is revenue of $ 1.81 million (2010 - $ 1.75 million) received by the Authority pursuant to an agreement with the Ontario Ministry of Natural Resources. The purpose of the agreement is to provide the Authority with reimbursement of road construction and maintenance costs on eligible primary and secondary forest access roads where access to those roads is not limited to the forest industry. A portion of the Ministry funding was passed on to the Authority's customers through a rebate allocated on the basis of sales volumes.

9. **Penalties and interest on GST assessment:**

In 2007, the Authority was subject to a Goods and Services Tax (GST) audit from Canada Revenue Agency (CRA). This audit covered the periods April 1, 2002 to December 31, 2006. The Authority was required to remit GST to CRA relating to stumpage fees which the Authority was able to recover from its customers. As a result of the assessment by CRA, the Authority also paid penalty and interest charges of $234,598. As a result of submitting a Request for Taxpayer Relief to the CRA, the Authority received notification that it qualifies for a reduced penalty and as such, the Authority received a refund from CRA of $34,262 (2010 - $ 200,000).

10. **Remuneration of appointments:**

Total remuneration of the Board members of the Authority was approximately $ 13,700 during the fiscal year (2010 - $ 18,900).

11. **Financial instruments:**

Unless otherwise noted, it is management's opinion that the Authority is not exposed to significant interest, currency or credit risks arising from its financial instruments. The fair value of the Authority's financial instruments approximate their carrying values, unless otherwise noted.

Algonquin Forestry Authority

Notes to Financial Statements (continued)

Year ended March 31, 2011

12. Capital management:

The Authority defines net assets as capital. The Authority manages its capital to have sufficient resources to satisfy its liabilities as they become due and to provide the services for which it is constituted in a consistent and quality manner. The Ministry of Natural Resources requires the Authority to maintain a minimum balance of $ 1,500,000 (2010 – $ 1,500,000) in the Forest Renewal Fund and the Authority has complied with this requirement.

13. Available credit facilities:

As part of its financial arrangements, the Authority has negotiated a line of credit in the amount of $ 1,000,000 with its banker. The line of credit is unsecured and bears interest at the bank's prime rate minus 0.50%.

Cancer Care Ontario
Action Cancer Ontario

620 University Avenue, Toronto ON, M5G 2L7
tel: 416.971.9800 fax: 416.971.6888 www.cancercare.on.ca

June 23, 2011

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this financial statement. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

Cancer Care Ontario is dedicated to the highest standards of integrity and patient care. To safeguard Cancer Care Ontario's assets, a sound and dynamic set of internal financial controls and procedures that balance benefits and costs has been established. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Finance Committee.

For the fiscal year ended March 31, 2011, Cancer Care Ontario's Board of Directors, through the Audit Finance Committee, was responsible for ensuring that management fulfilled its responsibilities for financial reporting and internal controls. The Committee meets regularly with management, the internal auditor and the Auditor General to satisfy itself that each group had properly discharged its respective responsibility, and to review the financial statements before recommending approval by the Board of Directors. The Auditor General had direct and full access to the Audit Finance Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Cancer Care Ontario's financial reporting and the effectiveness of the system of internal controls.

The financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

On behalf of Cancer Care Ontario Management,

Michael Sherar, PhD	Elham Roushani, BSc, CA
President and CEO	Vice President & Chief Financial Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Cancer Care Ontario
and to the Minister of Health and Long-Term Care

I have audited the accompanying financial statements of Cancer Care Ontario, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in fund balances, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of Cancer Care Ontario as at March 31, 2011 and its financial performance and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

20 Dundas Street West
Toronto, Ontario

Toronto, Ontario
June 23, 2011

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Cancer Care Ontario
Statement of financial position

(In thousands of dollars)

March 31	2011	2010
Assets		
Current		
Cash and cash equivalents (Note 3)	$ 155,804	$ 106,331
Short-term investments (Note 4)	80,982	30,044
Receivables and prepaids (Note 5)	20,253	36,912
	257,039	173,287
Long-term investments (Note 4)	-	50,080
Capital assets (Note 6)	103,488	97,542
	$ 360,527	$ 320,909
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 7)	$ 190,280	$ 135,877
Deferred operating grants (Note 8(a))	6,546	37,434
	196,826	173,311
Deferred contributions related to capital assets (Note 8(b))	115,930	101,786
Post-retirement benefits other than pension plan (Note 9(b))	3,314	3,356
	316,070	278,453
Fund balances		
Endowment	2,317	2,317
Internally and externally restricted	10,005	23,822
General – unrestricted	26,669	14,585
Investment in capital assets	5,466	1,732
	44,457	42,456
	$ 360,527	$ 320,909

Commitments (Note 15)
Contingencies (Note 16)
Guarantees (Note 18)

On behalf of the Board:

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Cancer Care Ontario
Statement of operations

(In thousands of dollars)
Year ended March 31, 2011

	Restricted		General		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Ministry of Health and Long-Term Care	$ -	$ -	$ 777,962	$ 697,165	$777,962	$ 697,165
Capital contributions from Ministry of Health and Long-Term Care for Integrated Cancer Programs	-	-	11,216	16,232	11,216	16,232
Ministry of Health Promotion	-	-	695	3,066	695	3,066
Net investment income (Note 11)	25	41	2,488	1,090	2,513	1,131
Amortization of deferred contributions related to capital assets (Note 8(b))	-	-	30,981	28,303	30,981	28,303
Other (Note 12)	5,914	10,947	7,156	7,780	13,070	18,727
	5,939	10,988	830,498	753,636	836,437	764,624
Expenses						
Integrated Cancer Programs Services	88	2,025	292,398	284,946	292,486	286,971
Drugs	-	-	218,983	199,094	218,983	199,094
Salaries and benefits	2,954	3,083	59,348	52,212	62,302	55,295
Surgical services – hospitals	-	-	51,101	49,475	51,101	49,475
Chronic kidney disease services	-	-	46,073	-	46,073	-
Screening services	-	-	40,498	41,272	40,498	41,272
Amortization of capital assets	51	121	32,351	28,552	32,402	28,673
Purchased services	2,296	5,506	21,715	13,642	24,011	19,148
Capital contributions to Integrated Cancer Programs	-	-	14,027	16,232	14,027	16,232
Medical services	69	411	13,948	12,764	14,017	13,175
Hospital systemic therapy services	-	-	13,747	14,958	13,747	14,958
Other operating (Note 13)	703	1,638	10,561	10,104	11,264	11,742
Pension (Note 9(a))	-	-	4,686	3,976	4,686	3,976
Consulting services	136	487	4,049	22,093	4,185	22,580
Occupancy costs	61	217	3,531	3,162	3,592	3,379
Professional fees	4	10	401	257	405	267
Loss (gain) on disposal of capital assets	435	-	92	441	527	441
Post-retirement benefits other than pension plan (Note 9(b))	-	-	130	222	130	222
	6,797	13,498	827,639	753,402	834,436	766,900
Excess (deficiency) of revenue over expenses	$ (858)	$ (2,510)	$ 2,859	$ 234	$ 2,001	$ (2,276)

See accompanying notes to the financial statements.

Cancer Care Ontario
Statement of changes in fund balances
(In thousands of dollars)
Year ended March 31, 2011

	Restricted		General –	Invested in	Total	
	Endowment	Other	Unrestricted	capital assets	2011	2010
Fund balances, beginning of year	$ 2,317	$ 23,822	$ 14,585	$ 1,732	$ 42,456	$ 44,732
Excess (deficiency) of revenue over expenses	-	(858)	2,859	-	2,001	(2,276)
Net change in investment in capital assets (Note 10)	-	(69)	(3,665)	3,734	-	-
Interfund transfers (Note 14)	-	(12,890)	12,890	-	-	-
Fund balances, end of year	$ 2,317	$ 10,005	$ 26,669	$ 5,466	$ 44,457	$ 42,456

See accompanying notes to the financial statements.

Cancer Care Ontario
Statement of cash flows

(In thousands of dollars)

Year ended March 31	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating		
Excess (deficiency) of revenue over expenses	$ 2,001	$ (2,276)
Amortization of capital assets	32,402	28,673
Amortization of deferred contributions related to capital assets	(30,981)	(28,303)
Loss on disposal of capital assets	527	441
Benefit expense related to post-retirement benefits other than pension plan	130	222
Post-retirement benefits other than pension plan paid	(172)	(192)
	3,907	(1,435)
Change in non-cash operating working capital		
Receivables and prepaids	16,659	(21,496)
Accounts payable and accrued liabilities	54,403	18,838
Deferred operating grants	(30,888)	(7,215)
	40,174	(9,873)
	44,081	(11,308)
Investing		
Proceeds from maturity of investments	50,302	-
Purchase of investments	(51,160)	(50,078)
Purchase of capital assets	(38,936)	(37,329)
Proceeds on disposal of capital assets	61	70
	(39,733)	(87,337)
Financing		
Amounts received related to capital assets	45,125	32,766
Increase (decrease) in cash and cash equivalents	49,473	(65,879)
Cash and cash equivalents, beginning of year	106,331	172,210
Cash and cash equivalents, end of year	$ 155,804	$ 106,331

See accompanying notes to the financial statements.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

Nature of operations

The Government of Ontario approved the establishment of Cancer Care Ontario (the "Organization") on April 29, 1997 to advance services for cancer patients to improve the outcome, quality and efficiency of cancer services. The cancer services encompass prevention, screening, diagnosis, treatment, research, education and palliative care. The Organization was incorporated under the name of The Ontario Cancer Treatment and Research Foundation by an Act of the Legislature of the Province of Ontario in 1943 and the name of the Organization was changed in 1997 to Cancer Care Ontario. The Organization is a registered charity under the Income Tax Act (Canada). Members of the Board of Directors and Board Committees are volunteers who serve without remuneration.

The Organization's mission is to improve the performance of the cancer system in Ontario by driving quality, accountability and innovation in all cancer-related services. The Organization's mission includes an emphasis on performance management. In accordance with the Cancer Program Integration Agreement ("CPIA"), the Organization funds the Integrated Cancer Programs ("ICP") at various hospitals in return for agreed upon cancer services.

The Organization supports the provincial government's Ontario Wait Time and Access to Care ("ATC") Strategies. The ATC program is comprised of information technology and information management initiatives with a strategic focus on improving access, quality and efficiency of patient care and tracking patients as they move across the continuum of care. The mandate of the ATC program is the development and implementation of information strategies and information systems to support improved access to care, ongoing operation of information systems, data analysis and reporting.

In June 2009, the Ministry of Health and Long-Term Care ("MOHLTC") formally transferred to the Organization the provincial oversight and co-ordination of the Chronic Kidney Disease ("CKD") Program. The mandate of the CKD program is to develop and implement a provincial CKD strategy that will lead to measurable and sustained improvement in CKD care across the province. This includes improved strategies for vascular access and home dialysis, implementation of a patient-based funding model and earlier detection and better disease management.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

1. Significant accounting policies

The Organization's financial statements are prepared by management using Canadian generally accepted accounting principles.

Fund accounting

The Endowment Fund reports contributions subject to externally imposed stipulations specifying that the resources contributed be maintained permanently, unless specifically disendowed by the donor. Restricted investment income earned on Endowment Fund resources is recognized as revenue of the Restricted Fund.

The Restricted Fund reports all other externally and internally restricted resources. The main use of these resources is for research. These funds include donations and grants which either have specific restrictions placed on their use by the donor, have been received by a particular cancer centre and are restricted for use by that particular cancer centre or have been internally restricted by the Board of Directors.

The General Fund accounts for the Organization's MOHLTC, the Ministry of Health Promotion ("MHP") and other funded programs. This fund reports unrestricted resources and restricted operating grants.

Contributions

The Organization follows the deferral method of accounting for restricted contributions related to MOHLTC, MHP and other funded programs which are recognized as revenue of the General Fund in the year which the related expenses are incurred. The Organization follows the restricted fund method for all other restricted contributions which are recognized as revenue of the appropriate Restricted Fund in the year of receipt.

Unrestricted contributions are recognized as revenue of the General Fund when the amount is reasonably estimated and collection is probable.

Contributions received for the purpose of capital assets are recorded as deferred capital contributions and are amortized on the same basis as the related capital assets.

Contributions for endowment are recognized as revenue of the Endowment Fund in the year of receipt.

Cash and cash equivalents

The Organization considers deposits in banks, certificates of deposit and short-term investments with original maturities of three months or less as cash and cash equivalents.

Investments

Investments are classified as held for trading and carried at fair value. Investment transactions are accounted for on a settlement date basis and transaction costs are expensed as incurred.

Cancer Care Ontario
Notes to the financial statements

(In thousands of dollars)
March 31, 2011

1. Significant accounting policies (continued)

Capital assets

Capital assets are recorded at cost. All capital assets are amortized on a straight-line basis at rates based on the estimated useful lives of the assets.

Therapeutic and other technical equipment is amortized over 5 years; office furniture, equipment and software are amortized over periods ranging from 3 years to 5 years; and leasehold improvements are amortized over the 5 year term of the leases.

Effective April 1, 2010, the Organization began capitalizing externally acquired and internally developed software. This new accounting policy was applied prospectively as the amounts related to the prior years for externally acquired software are immaterial and the information related to internally developed software is not readily available. The impact of this new accounting policy resulted in $11.4 million in software costs being capitalized in the current year.

Land and buildings for four lodges donated by the Canadian Cancer Society – Ontario Division are recorded at nominal value, as current value is not reasonably determinable.

Impairment of long-lived assets

An impairment charge is recorded for long-lived assets when an event or change in circumstances causes the asset's carrying values to exceed the total undiscounted cash flows expected from its use and eventual disposition. The impairment loss is calculated as the difference between the fair value of the asset and its carrying value.

Pension costs and post retirement benefits other than pension plan

(i) Pension costs
The Organization accounts for its participation in the Healthcare of Ontario Pension Plan ("HOOPP"), a multiemployer defined benefit pension plan, as a defined contribution plan, as the Organization has insufficient information to apply defined benefit plan accounting.

(ii) Post-retirement benefits other than pension plan
The cost of post-retirement benefits other than pension plan is actuarially determined using the projected benefit method prorated on employment services and expensed as employment services are rendered.

The transitional obligation arising from the adoption of this accounting policy is being amortized over the expected remaining life of eligible retirees.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

2. Capital disclosures

The capital structure of the Organization consists of fund balances comprised of endowment funds, internally and externally restricted funds, general – unrestricted fund, investment in capital assets, and deferred capital contributions.

The Organization's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of benefits and services to its stakeholders.

A portion of the Organization's capital is restricted in how it is to utilize its externally restricted contributions and deferred capital contributions as described in Note 1. The Organization employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the year.

The Organization sets the amount of fund balances in proportion to risk, manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

3. Cash and cash equivalents – restricted

Cash and cash equivalents includes $404 (2010 - $402) which is restricted, as it relates to a pension plan that has been dissolved and is being held in escrow in the event that former members put forth a claim. These funds are subject to externally imposed restrictions and are not available for general use.

4. Investments

	2011	2010
Guaranteed Investment Certificate, interest at 2.0%, maturing September 4, 2010	$ -	$ 30,044
Guaranteed Investment Certificates, interest at 2.1%, maturing March 3, 2012	10,226	10,017
Guaranteed Investment Certificates, interest at 2.26%, maturing March 5, 2012	30,693	-
Guaranteed Investment Certificate, interest at 2.05%, maturing March 5, 2012	40,063	40,063
	80,982	80,124
Less maturing within one year	80,982	30,044
	$ -	$ 50,080

5. Receivables and prepaids

	2011	2010
Accounts receivable	$ 4,225	$ 2,396
Due from MOHLTC	14,818	34,329
Prepaids	1,210	187
	$ 20,253	$ 36,912

Cancer Care Ontario
Notes to the financial statements

(In thousands of dollars)
March 31, 2011

6. Capital assets

	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Therapeutic and other technical equipment	$ 272,034	$ 181,885	**$ 90,149**	$ 93,838
Office furniture, equipment, software and leasehold improvements	18,549	5,210	**13,339**	3,704
	$ 290,583	$ 187,095	**$ 103,488**	$ 97,542

The cost of therapeutic equipment includes deposits of $19,674 (2010 - $12,405). Amortization of these amounts will commence when the equipment is available for use.

7. Accounts payable and accrued liabilities

	2011	2010
Trade payables	**$ 63,980**	$ 67,762
Accrued liabilities and other	**63,955**	57,600
Payable to MOHLTC, MHP and other	**61,941**	10,113
Pension escrow	**404**	402
	$ 190,280	$ 135,877

8. Deferred contributions

a) Deferred operating grants

Deferred operating grants represent unspent resources related to MOHLTC, MHP and other funded programs. Unspent amounts are held for use in subsequent periods or settlement by the respective ministry. Changes in the deferred operating grant balance are as follows:

	2011	2010
Balance, beginning of year	**$ 37,434**	$ 44,649
Amounts received related to subsequent periods	**45,697**	26,785
Amounts recognized as revenue	**(3,268)**	(19,063)
Amounts returned to MOHLTC	**(11,376)**	(4,824)
Amounts reclassified to accounts payable and accrued liabilities	**(61,941)**	(10,113)
Balance, end of year	**$ 6,546**	$ 37,434

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

8. **Deferred contributions** (continued)

b) **Deferred contributions related to capital assets**

Deferred contributions related to capital assets represent the unamortized and unspent amount of funds received for the purchase of capital assets. The changes in the deferred contributions related to capital assets balance for the year are as follows:

	2011	2010
Balance, beginning of year	$ 101,786	$ 97,323
Amounts received related to capital assets	45,125	32,766
Amount recognized as revenue	(30,981)	(28,303)
Balance, end of year	$ 115,930	$ 101,786

The balance of deferred capital contributions related to capital assets consists of the following:

	2011	2010
Unamortized capital contributions used to purchase capital assets	$ 98,022	$ 95,810
Unspent contributions	17,908	5,976
Balance, end of year	$ 115,930	$ 101,786

9. **Pension costs and post-retirement benefits other than pension plan**

a) **Pension costs**

Employees of the Organization are members of HOOPP, which is a multiemployer defined benefit pension plan. HOOPP members receive benefits based on length of service and the average annualized earnings during the five consecutive years that provide the highest earnings prior to retirement, termination or death.

Contributions to HOOPP made during the year by the Organization on behalf of its employees amounted to $4,686 (2010 - $3,976) and are included in the pension expense in the statement of operations.

b) **Post-retirement benefits other than pension plan**

The Organization offered non-pension, post retirement benefits to its retired employees. Effective January 1, 2006, the Organization no longer offers non-pension, post retirement benefits to its active employees. Benefits paid during the year under this unfunded plan were $172 (2010 - $192).

During the year, the Organization decreased its accrued benefit obligation by $95 (2010 – decreased by $457) based on the most recent actuarial valuation for the post-retirement benefits other than pension plan dated March 31, 2010. The next valuation will take place as at March 31, 2012.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

9. Pension costs and post-retirement benefits other than pension plan (continued)

Information about the Organization's post-retirement benefits other than pension plan is as follows:

	2011	2010
Accrued benefit obligation	$ (2,856)	$ (2,951)
Unamortized actuarial gain	(1,114)	(1,132)
Unamortized net transitional obligation	656	727
Net accrued benefit liability	$ (3,314)	$ (3,356)

The actuarially determined present value of the accrued benefit obligation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action as follows:

	2011	2010
Discount rate	4.5%	4.5%
Hospital and drug cost trend rate	8.5% in 2011 to 5% in 2018 and after	9% in 2010 to 5% in 2018 and after
Other medical costs trend rate	4% per annum	4% per annum

10. Investment in capital assets

	2011	2010
Capital assets	$ 103,488	$ 97,542
Amounts financed by deferred capital contributions	(98,022)	(95,810)
	$ 5,466	$ 1,732

Change in net assets invested in capital assets is calculated as follows:

	2011	2010
Purchase of capital assets	$ 38,936	$ 37,329
Deferred contributions related to capital assets	(33,193)	(37,322)
Amortization of deferred contributions related to capital assets	30,981	28,303
Amortization of capital assets	(32,402)	(28,673)
Disposal of capital assets	(588)	(511)
	$ 3,734	$ (874)

11. Net investment income

Net investment income earned on the Endowment Fund resources in the amount of $25 (2010 - $25) is included in the Restricted Fund.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

12. Other revenue

	2011	2010
General Fund		
Canadian Partnership Against Cancer	$ 2,527	$ 2,572
Ontario Agency for Health Protection and Promotion	2,284	-
eHealth Ontario	503	3,557
Salary recovery	392	888
Canada Health Infoway repayment	-	(1,856)
Miscellaneous	1,450	2,619
	$ 7,156	$ 7,780
Restricted Fund		
Grants	$ 5,694	$ 10,640
Donations	220	307
	$ 5,914	$ 10,947

13. Other operating expenses

	2011	2010
Restricted Fund		
General office	$ 394	$ 506
Education and Publications	136	216
Travel	82	249
Equipment	59	531
Other expenses	32	136
	$ 703	$ 1,638
General Fund		
Equipment	$ 4,262	$ 4,576
Education and Publications	1,960	1,556
General office	1,903	1,733
Travel	873	778
Patient service	800	800
Other expenses	763	661
	$ 10,561	$ 10,104

14. Interfund transfer

	2011	2010
Transfer to the General Fund from the Restricted Fund	$ 12,890	$ 688

Transfer to the General Fund from the Restricted Fund represent the release of internally restricted reserves approved by the Organization's Board of Directors.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

15. Commitments

a) The Organization leases space, and computer and office equipment. Under the terms of the leases, future repayments are estimated as follows for the year ending March 31:

2012	$ 3,939
2013	1,960
2014	152
	$ 6,051

b) The Organization has committed $24,101 (2010 - $9,614) for the purchase of equipment, which is net of deposits disclosed in Note 6.

16. Contingencies

The Organization is a member of the Healthcare Insurance Reciprocal of Canada ("HIROC"), which was established by hospitals and other organizations to self-insure. If the aggregate premiums paid are not sufficient to cover claims, the Organization will be required to provide additional funding on a participatory basis.

Since the inception, HIROC has accumulated an unappropriated surplus, which is the total of premiums paid by all subscribers plus investment income less the obligation for claims reserves and expenses and operating expenses. Each subscriber which has an excess of premium plus investment income over the obligation for their allocation of claims reserves and expenses and operating expenses may be entitled to receive distributions of their share of the unappropriated surplus at the time such distributions are declared by the Board of Directors of HIROC. There are no distributions declared by HIROC as of March 31, 2011.

17. Financial instruments

The carrying amounts of cash and cash equivalents, receivables, and accounts payable and accrued liabilities approximate fair values due to the short-term nature of these instruments.

The fair values of investments are disclosed in Note 4. Investments consist of guaranteed investment certificates with a fixed interest rate that in management's estimation is at market.

Credit risk
Credit risk arises from cash and cash equivalents and investments held with financial institutions and credit exposures on outstanding receivables. Cash and cash equivalents and term investments are held at major financial institutions minimizing any potential exposure to credit risk. It is management's opinion that the risk related to receivables is minimal as most of the receivables are from federal and provincial governments and organizations controlled by them.

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of financial instruments will fluctuate due to changes in market interest rates. The Organization currently is only exposed to interest rate risk from its investments. The Organization does not expect fluctuations in market interest rates to have a material impact on its financial performance and does not use derivative instruments.

Cancer Care Ontario
Notes to the financial statements
(In thousands of dollars)
March 31, 2011

18. Guarantees

a) Director/officer indemnification

The Organization's General By-Laws contain an indemnification of its directors/officers, former directors/officers and other persons who have served on board committees against all costs incurred by them in connection with any action, suit or other proceeding in which they are sued as a result of their service, as well as all other costs sustained in or incurred by them in relation to their service. This indemnity excludes costs that are occasioned by the indemnified party's own dishonesty, wilful neglect or default.

The nature of the indemnification prevents the Organization from making a reasonable estimate of the maximum amount that it could be required to pay to counterparties. To offset any potential future payments, the Organization has purchased from HIROC directors' and officers' liability insurance to the maximum available coverage. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

b) Other indemnification agreements

In the normal course of its operations, the Organization executes agreements that provide for indemnification to third parties. These include, without limitation: indemnification of the Landlords under the Organization's leases of premises; indemnification of the MOHLTC from claims, actions, suits or other proceedings based upon the actions or omissions of the representative groups of medical, radiation and gynaecology/oncology physicians under certain Alternate Funding Agreements; and indemnification of the ICP host hospitals from claims, actions, costs, damages and expenses brought about as a result of any breach by the Organization of its obligations under the CPIA and the related documentation.

While the terms of these indemnities vary based upon the underlying contract, they normally extend for the term of the contract. In most cases, the contract does not provide a limit on the maximum potential amount of indemnification, which prevents the Organization from making a reasonable estimate of its maximum potential exposure. The Organization has not made any payments under such indemnifications, and no amount has been accrued in the accompanying financial statements with respect to the contingent aspect of these indemnities.

19. Comparative figures

Certain comparative figures have been reclassified to conform to the financial statement presentation adopted in the current year.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the
Education Quality and Accountability Office

We have audited the accompanying financial statements of the Education Quality Accountability Office, which comprise the statement of financial position as at March 31, 2011, the statements of operations and accumulated surplus, changes in net financial assets, and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement present fairly, in all material respects, the financial position of the Education Quality Accountability Office as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 2, 2011
Toronto, Canada

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	2011	2010
Financial Assets		
Current assets:		
Cash	$ 2,998,377	$ 4,249,592
Board restricted fund (note 3)	4,993,718	4,448,162
Accounts receivable (note 4)	925,453	159,124
	8,917,548	8,856,878
Liabilities		
Current liabilities:		
Accounts payable and accrued liabilities	2,733,289	3,117,098
Deferred revenue	2,124,287	2,150,938
	4,857,576	5,268,036
Net financial assets	4,059,972	3,588,842
Non-financial Assets		
Prepaid expenses (note 5)	605,589	387,209
Capital assets (note 6)	370,265	600,077
	975,854	987,286
Accumulated surplus	$ 5,035,826	$ 4,576,128

See accompanying notes to financial statements.

On behalf of the Board:

Brian Desbiens Chair

M Jackson Chief Executive Officer

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Operations and Accumulated Surplus

Year ended March 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Revenue:			
Ministry of Education:			
Base allocation payments (note 2)	$ 32,825,863	$ 32,875,158	$ 33,048,228
Other	–	459,698	416,058
	32,825,863	33,334,856	33,464,286
Expenses:			
Service and rental	17,508,284	16,872,258	17,450,364
Salaries and wages	11,918,180	12,036,804	11,276,070
Transportation and communication	3,375,280	3,372,364	3,371,976
Supplies and equipment	662,256	593,732	945,745
	33,464,000	32,875,158	33,044,155
Annual surplus (deficit)	(638,137)	459,698	420,131
Accumulated surplus, beginning of year	4,576,128	4,576,128	4,155,997
Accumulated surplus, end of year	$ 3,937,991	$ 5,035,826	$ 4,576,128

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Changes in Net Financial Assets

Year ended March 31, 2011, with comparative figures for 2010

	2011 Budget (Unaudited)	2011 Actual	2010 Actual
Annual surplus (deficit)	$ (638,137)	$ 459,698	$ 420,131
Acquisition of capital assets	–	(150,666)	(228,222)
Amortization of capital assets	395,641	380,478	404,677
	395,641	229,812	176,455
Acquisition of prepaid expenses	–	(605,589)	(387,209)
Use of prepaid expenses	–	387,209	923,700
	–	(218,380)	536,491
Increase (decrease) in net financial assets	(242,496)	471,130	1,133,077
Net financial assets, beginning of year	3,588,842	3,588,842	2,455,765
Net financial assets, end of year	$ 3,346,346	$ 4,059,972	$ 3,588,842

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Annual surplus	$ 459,698	$ 420,131
Amortization of capital assets which does not affect cash	380,478	404,677
	840,176	824,808
Change in non-cash operating working capital:		
Accounts receivable	(766,329)	879,508
Accounts payable and accrued liabilities	(383,809)	2,197,210
Deferred revenue	(26,651)	(311,661)
Prepaid expenses	(218,380)	536,491
	(554,993)	4,126,356
Financing activities:		
Acquisition of capital assets	(150,666)	(228,222)
Investing activities:		
Additions to board restricted fund	(545,556)	(292,165)
Increase (decrease) in cash	(1,251,215)	3,605,969
Cash, beginning of year	4,249,592	643,623
Cash, end of year	$ 2,998,377	$ 4,249,592

See accompanying notes to financial statements.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements

Year ended March 31, 2011

The Education Quality and Accountability Office (the "Agency") was established by the Province of Ontario by the EQAO Act, June 1996. The Agency was created to assure greater accountability and to contribute to the enhancement of the quality of education in Ontario. This is done through assessments and reviews based on objective, reliable and relevant information, and the timely public release of that information along with recommendations for system improvement.

1. **Significant accounting policies:**

These financial statements, which have been prepared in accordance with Canadian generally accepted accounting principles for governments, as established by the Public Sector Accounting Board of The Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board of the CICA, reflect the accounting policies set out below:

(a) Revenue recognition:

The Agency is funded by the Ministry of Education in accordance with established budget arrangements. These transfer payments are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met and reasonable estimates of the amounts can be made.

Other revenue is recognized at the time the service is rendered.

(b) Deferred revenue:

Certain amounts, including transfer payments from the Ministry of Education, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. In addition, certain amounts received are used to pay expenses for which the related service is yet to be performed, or are in excess of the expenses actually incurred. These amounts are recorded as deferred revenue at year end.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. Significant accounting policies (continued):

(c) Capital assets:

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer equipment	3 years
Furniture and fixtures	5 years

For assets acquired or brought into use during the year, amortization is calculated from the month following that in which additions come into operation.

The Agency considers the carrying value of long-lived assets when events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If the Agency expects an asset to generate cash flows less than the asset's carrying value, at the lowest level of identifiable cash flows, the Agency recognizes a loss for the difference between the asset's carrying value and its fair value.

(d) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Such estimates include providing for amortization of capital assets. Actual results could differ from those estimates.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Ministry of Education funding:

The Agency received base allocation payments in accordance with the year's approved budget. Actual expenses incurred in the year are less than the budgeted amounts. The difference between base allocation payments received and actual expenses incurred represents deferred revenue. A breakdown of revenue reported on the statement of operations is noted below:

	2011	2010
Gross base allocation payments	$ 32,848,507	$ 32,736,567
Allocation from deferred revenue	26,651	311,661
Ministry of Education - base allocation payments	$ 32,875,158	$ 33,048,228

3. Board restricted fund:

A board restricted fund was established by a Board of Directors' resolution for the purpose of examining assessment processes and researching emerging methodologies in large scale assessment in order to maintain Ontario's high quality assessment programs as best of class. The fund is currently invested in a Royal Bank of Canada current account. The Agency has the authority to retain any revenue that is not provincial funding according to the EQAO Act, the Agency Establishment and Accountability Directive and the Financial Administration Act.

	2011	2010
Balance, beginning of year	$ 4,448,162	$ 4,155,997
Appropriation of other income	467,841	251,652
Interest income earned on funds	77,715	40,513
Balance, end of year	$ 4,993,718	$ 4,448,162

4. Accounts receivable:

Included in accounts receivable is a transfer payment in the amount of $620,000 (2010 - nil) due from the Ministry of Education.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2011

5. Prepaid expenses:

Prepaid expenses are paid in cash and recorded as assets before they are used or consumed. As at year end, the balance is made up of the following amounts:

	2011	2010
Prepaid expenses	$ 105,879	$ 123,768
Deposit to Toronto Congress Centre	–	200,000
Prepaid secondees	499,710	63,441
	$ 605,589	$ 387,209

6. Capital assets:

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
Computer equipment	$ 1,852,501	$ 1,528,254	$ 324,247	$ 534,374
Furniture and fixtures	251,191	205,173	46,018	65,703
	$ 2,103,692	$ 1,733,427	$ 370,265	$ 600,077

Amortization of capital assets recorded in the current year amounts to $380,478 (2010 - $404,677).

7. Lease commitments:

The Agency leases premises under a long-term lease that expires on December 31, 2012. Under the terms of the lease, the Agency is required to pay an annual base rent which is predetermined based on square footage rates plus operating and maintenance charges.

The minimum annual lease payments related to the office lease and office equipment for 2012 is $817,000.

EDUCATION QUALITY AND ACCOUNTABILITY OFFICE

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. **Financial instruments:**

The Agency's financial instruments consist of cash, board restricted fund, accounts receivable and accounts payable and accrued liabilities. The fair values of these financial instruments approximate their carrying values due to their short-term nature.

It is management's opinion that the Agency is not exposed to significant interest, currency or credit risks arising from these financial instruments.

Ontario
eHealth Ontario
cyberSanté Ontario

P.O. Box 148
777 Bay Street, Suite 701
Toronto ON M5G 2C8

Tel: (416) 586 - 6500
Fax: (416) 586 - 4363
Email: info@ehealthontario.on.ca
Website: www.ehealthontario.on.ca

C. P. 148
777, rue Bay, bureau 701
Toronto ON M5G 2C8

Tél: (416) 586 - 6500
Télé: (416) 586 - 4363
Courriel: info@ehealthontario.on.ca
Site Web: www.ehealthontario.on.ca

Management's Responsibility for Financial Information

Management and the board of directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on managements' best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

eHealth Ontario is dedicated to the highest standards of integrity in its business. To safeguard the agency's assets and assure the reliability of financial information, the agency follows sound management practices and procedures, and maintains appropriate financial reporting systems and controls. The board of directors ensures that management fulfills its responsibilities for financial information and internal controls.

The financial statements have been reviewed by eHealth Ontario's Finance and Audit Committee and approved by the board of directors'. The financial statements have been examined by Ernst and Young LLP, independent external auditors appointed by the board of directors. The external auditors' responsibility is to examine the financial statements in accordance with Canadian generally accepted auditing standards to enable them to express their opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditors' examination and opinion.

Chief Financial Officer
John Moore

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
eHealth Ontario

We have audited the accompanying financial statements of **eHealth Ontario**, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **eHealth Ontario** as at March 31, 2011 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Emphasis of matter

We draw attention to note 9[a] to the financial statements, which describes the restatement of the prior year's financial statements. Our opinion is not qualified in respect of this matter.

Other matter

The financial statements of **eHealth Ontario** as at and for the year ended March 31, 2010, were audited by another auditor who expressed an unmodified opinion on those statements on June 24, 2010.

Ernst + Young LLP

Toronto, Canada,
June 29, 2011.

eHealth Ontario

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

As at March 31

	2011 $	2010 $ *[restated - note 9]*
ASSETS		
Current		
Cash	**42,730**	20,794
Prepaid expenses	**5,921**	3,742
HST/GST receivable	**3,693**	19
Total current assets	**52,344**	24,555
Capital assets *[note 4]*	**64,418**	36,731
	116,762	61,286
LIABILITIES		
Current		
Accounts payable and accrued liabilities	**47,615**	23,386
Due to Ministry of Health and Long-Term Care *[note 3[b]]*	**4,729**	1,169
Total current liabilities	**52,344**	24,555
Deferred capital contributions *[note 5]*	**64,418**	36,731
Total liabilities	**116,762**	61,286
Commitments and contingencies *[note 6]*		
Net assets	**—**	—
	116,762	61,286

See accompanying notes

On behalf of the Board:

Greg A. Reed
President and Chief Executive Officer
and Board member

Raymond V. Hession
Chair of the Board of Directors

eHealth Ontario

STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2011 $	2010 $ *[restated – note 9]*
REVENUE		
Government grants *[note 3[a]]*	**318,121**	337,672
Amortization of deferred capital contributions *[note 5]*	**11,559**	10,501
	329,680	348,173
EXPENSES		
Development and delivery	**147,184**	153,184
Technology services	**137,076**	147,386
Shared services	**26,527**	27,773
Enabling technology	**7,334**	9,329
	318,121	337,672
Amortization of capital assets	**11,559**	10,501
	329,680	348,173
Excess of revenue over expenses for the year	—	—
Net assets, beginning of year, as restated *[note 9[a]]*	—	—
Net assets, end of year	—	—

See accompanying notes

eHealth Ontario

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2011 $	2010 $ *[restated – note 9]*
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not involving cash		
Amortization of deferred capital contributions	**(11,559)**	(10,501)
Amortization of capital assets	**11,559**	10,501
	—	—
Net change in non-cash working capital balances related to operations		
Prepaid expenses	**(2,179)**	483
HST/GST receivable	**(3,674)**	(19)
Accounts payable and accrued liabilities	**19,698**	(17,598)
Due to the Ministry of Health and Long-Term Care	**3,560**	34,073
Cash provided by operating activities	**17,405**	16,939
INVESTING ACTIVITIES		
Purchase of capital assets	**(34,715)**	(22,615)
Cash used in investing activities	**(34,715)**	(22,615)
FINANCING ACTIVITIES		
Contributions used to fund capital assets	**39,246**	19,618
Cash provided by financing activities	**39,246**	19,618
Net increase in cash during the year	**21,936**	13,942
Cash, beginning of year	**20,794**	6,852
Cash, end of year	**42,730**	20,794

See accompanying notes

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

1. NATURE OF OPERATIONS

eHealth Ontario is designated as an operational service agency established under the Ontario Regulation made under the Development Corporations Act (O. Reg. 43/02). Subsection 2(3) of O. Reg. 43/02 provides that eHealth Ontario is, for all its purposes, an agency of Her Majesty within the meaning of the Crown Agency Act and its powers may be exercised only as an agency of Her Majesty. Subsection 6(1) of O. Reg. 43/02 provides that the Board of Directors is composed of the members appointed by the Lieutenant-Governor in Council on the recommendation of the Minister of Health and Long-Term Care. The Lieutenant-Governor in Council can appoint up to 12 members to eHealth Ontario's Board of Directors. Pursuant to subsection 7(1) of O. Reg. 43/02 and subject to any directions given by the Minister of Health and Long-Term Care under section 8, the affairs of eHealth Ontario are under the management and control of the Board of Directors. Subsection 9(1) of O. Reg. 43/02 provides that the Chief Executive Officer of eHealth Ontario be appointed by the Lieutenant-Governor in Council.

The following are the objects of eHealth Ontario:

[a] to provide eHealth Ontario services and related support for the effective and efficient planning, management and delivery of health care in Ontario;

[b] to develop eHealth Ontario services strategy and operational policy; and

[c] to protect the privacy of individuals whose personal information or personal health information is collected, transmitted, stored or exchanged by and through eHealth Ontario, in accordance with the Freedom of Information and Protection of Privacy Act, the Personal Health Information Protection Act, 2004, and any other applicable law [O. Reg. 339/08, s.4].

eHealth Ontario and the Ministry of Health and Long-Term Care [the "Ministry"] entered into a Memorandum of Understanding ["MOU"] and Transfer Payment Agreement, effective April 1, 2009.

eHealth Ontario is funded by the Province of Ontario through the Ministry. Any surplus balance must be repaid in the following fiscal year. Any deficit balance reduces the funding allocation in the following fiscal year.

As a Crown agent, eHealth Ontario is exempt from income taxes.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles for non-profit oriented organizations, unless otherwise directed to specific accounting recommendations of the Public Sector Accounting Standards Board ["PSAB"] the Canadian Institute of Chartered Accountants [the "CICA"].

The significant accounting policies are summarized as follows:

Revenue recognition

eHealth Ontario follows the deferral method of accounting for contributions. Contributions are recognized when received, or when receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Contributions with respect to the purchase of property and equipment and intangible assets are deferred and recognized as funding in the year in which the amortization expense is recognized.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are included in shared services expenses.

Capital assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the estimated useful lives of the assets as follows:

Computer hardware	3 to 5 years
Computer software	3 to 10 years
Furniture and office equipment	5 years
Leasehold improvements	Over the term of the respective leases

Capital assets that no longer have any long-term service potential for eHealth Ontario are written down to residual value, if any. The excess of the carrying value over the residual value of such assets is recognized as amortization in the statement of operations and changes in net assets.

Internal labour costs are capitalized in connection with the development of information technology projects.

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Employee future benefits

Contributions to a defined contribution plan are expensed when due.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of funding and expenses during the reporting period. Actual results could differ from those estimates.

Future changes in accounting policies

In December 2010, PSAB amended The Introduction to Public Sector Accounting Standards to direct government not-for-profit organizations to follow either the CICA Public Sector Accounting Handbook with Section PS 4200 to PS 4270 or the CICA Public Sector Accounting Handbook without these sections. These standards are effective for fiscal years beginning on or after January 1, 2012, with an option to early-adopt. eHealth Ontario is currently evaluating the impact of adopting these standards.

3. GOVERNMENT OF ONTARIO

[a] Funding from the Ministry recognized as revenue is calculated as follows:

	2011 $	**2010** $
Funding for eHealth Ontario operating/capital expenditures	**228,065**	246,110
Funding for transfer payments to eHealth Ontario partners	**133,839**	116,336
Total funding	**361,904**	362,446
Amounts used to fund capital assets and recorded as deferred capital contributions *[note 5]*	**(39,246)**	(19,618)
Interest earned during the year repayable to the Ministry	**404**	—
Interest earned and funding not used recorded as due to Ministry *[note 3[b]]*	**(4,941)**	(5,156)
Amount recognized as revenue	**318,121**	337,672

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] The amount due to the Ministry consists of the following:

	2011 $	2010 $
Interest earned and funding not used	**4,941**	5,156
Funding receivable	**(212)**	(3,987)
	4,729	1,169

4. CAPITAL ASSETS

	2011		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware	**58,633**	**37,853**	**20,780**
Computer software	**32,500**	**27,315**	**5,185**
Furniture and office equipment	**4,441**	**3,097**	**1,344**
Leasehold improvements	**3,492**	**3,070**	**422**
Work-in-process	**36,687**	**—**	**36,687**
	135,753	**71,335**	**64,418**

	2010		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware	55,723	38,762	16,961
Computer software	30,427	22,782	7,645
Furniture and office equipment	4,190	2,613	1,577
Leasehold improvements	3,490	2,383	1,107
Work-in-process	9,441	—	9,441
	103,271	66,540	36,731

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

There are assets included in capital assets that have been purchased and not placed into use and therefore have not been amortized for the year. The net book value of these assets is as follows:

	2011 $	2010 $
Computer hardware	**7,035**	2,158
Computer software	**42**	838
Work-in-process	**36,687**	9,441
	43,764	12,437

In the current year, certain computer hardware no longer in use with a net book value of $217 [2010 - $80] was written off and included in amortization of capital assets.

5. DEFERRED CAPITAL CONTRIBUTIONS

	2011 $	2010 $
Balance, beginning of year	**36,731**	27,614
Contributions used to fund capital asset purchases *[note 3]*	**39,246**	19,618
Amortization	**(11,559)**	(10,501)
Balance, end of year	**64,418**	36,731

6. COMMITMENTS AND CONTINGENCIES

[a] eHealth Ontario has various multi-year contractual commitments for services. Payments required on these commitments are as follows:

	$
2012	76,881
2013	51,109
2014	26,385
	154,375

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] Ontario Realty Corporation, a Crown Corporation of the Province of Ontario, holds leases on the office space occupied by eHealth Ontario. eHealth Ontario is responsible for all the operating lease payments. The payments required to the date of expiry are as follows:

	$
2012	5,742
2013	5,690
2014	5,240
2015	4,146
2016	3,349
2017 and thereafter	913
	25,080

[c] eHealth Ontario has entered into transfer payment agreements with eHealth Ontario partners that require future payments once defined eligibility requirements have been met. Total payments in connection with these contracts are approximately $184 million, of which $111 million is expected to be paid in fiscal 2012. These payments are payable over the period ended June 30, 2013.

[d] eHealth Ontario has contractual commitments related to development projects that require future payments once defined deliverables have been provided. Total payments in connection with these contracts are approximately $46 million.

[e] In the normal course of operations, eHealth Ontario is subject to various claims and potential claims. Management has recorded its best estimate of the potential liability related to these claims where potential liability is likely and able to be estimated. In other cases, the ultimate outcome of the claims cannot be determined at this time. Any additional losses related to claims will be recorded in the year during which the liability is able to be estimated or adjustments to any amount recorded are determined to be required. Any adjustments to the accounts recorded related to claims will be recorded in the year during which the adjustments to the amounts recorded are determined to be required.

7. EMPLOYEE FUTURE BENEFITS

eHealth Ontario has a defined contribution pension plan for its employees. eHealth Ontario's contributions to this plan during the year amounted to $2,782 [2010 - $2,427].

eHealth Ontario

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

8. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets for the year ended March 31, 2011 of $4,531 [2010 - $1,209] has been excluded from the statement of cash flows.

9. COMPARATIVE FINANCIAL STATEMENTS

[a] In prior years, the funding not used to fund operating expenses was recorded in revenue in the year in which the funding was committed and then recorded as a reduction in net assets in the year the funds were repaid to the Ministry.

The prior year statements have been restated to record the funding commitment in excess of the amount used to fund capital assets and operating expenses as a liability.

As a result of this change, government grant revenue recorded in the statement of operations and changes in net assets for the year ended March 31, 2010 was reduced by $5,156 and net assets as at March 31, 2010 were reduced by the same amount. Net assets as at April 1, 2009 were reduced by $596 and the repayment of prior year's surplus recorded in the statement of operations and changes in net assets was eliminated.

[b] The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.

FOREST RENEWAL TRUST

Forest Renewal Trust Financial Statements for the year ended March 31, 2011 were not available at the time of printing. When available, they will be posted to the website: www.fin.gov.on.ca/english/ .

MANAGEMENT REPORT

Management's Responsibility for Financial Reporting

The accompanying financial statements of the Independent Electricity System Operator are the responsibility of management and have been prepared in accordance with accounting principles generally accepted in Canada. The significant accounting policies followed by the Independent Electricity System Operator are described in the Summary of Significant Accounting Policies contained in Note 2 in the financial statements. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been prepared within reasonable limits of materiality and in light of information available up to February 10, 2011.

Management maintained a system of internal controls designed to provide reasonable assurance that the assets were safeguarded and that reliable information was available on a timely basis. The system included formal policies and procedures and an organizational structure that provided for the appropriate delegation of authority and segregation of responsibilities.

These financial statements have been examined by KPMG LLP, a firm of independent external auditors appointed by the Board of Directors. The external auditors' responsibility is to express their opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles in Canada. The Auditors' Report, which follows, outlines the scope of their examination and their opinion.

INDEPENDENT ELECTRICITY SYSTEM OPERATOR

On behalf of management,

Paul Murphy
President and Chief Executive Officer
Toronto, Canada
February 10, 2011

Ted Leonard
Vice President, Finance
Chief Financial Officer and Treasurer
Toronto, Canada
February 10, 2011

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the Independent Electricity System Operator (IESO):

We have audited the accompanying financial statements of IESO ("the Entity"), which comprise the statement of financial position as at December 31, 2010 and the statement of operations, loss and accumulated deficit, and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of IESO as at December 31, 2010, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of the Entity as at and for the year ended December 31, 2009 were audited by another auditor who expressed an unmodified opinion on those statements on February 11, 2010.

KPMG LLP

KPMG LLP, Chartered Accountants, Licensed Public Accountants
February 10, 2011
Waterloo, Canada

STATEMENT OF OPERATIONS, LOSS AND ACCUMULATED DEFICIT

For the Year Ended December 31 (in thousands of Canadian dollars)	2010 $	2009 $
REVENUES		
System fees (Note 11)	116,890	119,988
Other revenue (Note 2b)	2,963	1,511
TOTAL REVENUES	**119,853**	**121,499**
EXPENSES		
Labour	76,738	74,036
Computer services, support and equipment	8,051	9,275
Contract services and consultants	5,845	6,860
Telecommunications	2,675	2,936
Other costs	6,484	7,255
Smart metering program costs (Note 11)	13,665	9,962
Amortization	15,654	24,319
TOTAL EXPENSES	**129,112**	**134,643**
Income/(loss) before interest, financing charges and investment income	**(9,259)**	**(13,144)**
Interest and investment income/(loss)	2,378	2,304
Interest expense and financing charges	(1,073)	(3,074)
NET LOSS FOR THE YEAR	**(7,954)**	**(13,914)**
ACCUMULATED DEFICIT - BEGINNING OF YEAR	(19,525)	(5,611)
ACCUMULATED DEFICIT - END OF YEAR (Note 11)	**(27,479)**	**(19,525)**

See accompanying notes to financial statements.

STATEMENT OF FINANCIAL POSITION

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
ASSETS		
Current assets		
Cash and cash equivalents	8,609	8,990
Accounts receivable	15,755	13,500
Prepaid expenses	3,769	3,693
	28,133	**26,183**
Property and equipment (Note 4)		
In service	66,436	74,856
Construction-in-progress	15,262	4,882
	81,698	**79,738**
Other assets		
Intangible assets (Note 5)	6,844	6,685
Long-term investments (Note 6)	21,816	18,204
Prepaid pension cost (Note 7)	3,073	3,349
	31,733	**28,238**
TOTAL ASSETS	**141,564**	**134,159**
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 8)	22,090	20,073
Accrued interest on debt	161	66
Short-term debt (Note 9)	2,000	-
Current portion long-term debt (Note 9)	78,200	-
Rebates to market participants (Note 11)	10,193	4,324
	112,644	**24,463**
Long-term liabilities		
Long-term debt (Note 9)	-	78,200
Accrual for employee future benefits other than pensions (Note 7)	56,399	51,021
	56,399	**129,221**
TOTAL LIABILITIES	**169,043**	**153,684**
TOTAL ACCUMULATED DEFICIT (Note 11)	(27,479)	(19,525)
TOTAL LIABILITIES AND ACCUMULATED DEFICIT	**141,564**	**134,159**

Commitments and contingencies (Note 14)

See accompanying notes to financial statements.

On behalf of the Board:

Tim O'Neill
Chair
Toronto, Canada

William Museler
Director
Toronto, Canada

STATEMENT OF CASH FLOWS

For the Year Ended December 31 (in thousands of Canadian dollars)	2010 $	2009 $
OPERATING ACTIVITIES		
Net loss for the year	(7,954)	(13,914)
Adjustments for non-cash items:		
Amortization	15,654	24,319
Pension cost	15,692	12,524
Other employee future benefits cost	7,147	6,240
Change in fair value of long-term investments held-for-trading	(1,060)	(1,218)
	29,479	**27,951**
Changes in non-cash balances related to operations:		
Change in accounts payable and accrued liabilities	1,658	(1,760)
Change in rebates to market participants	5,869	2,938
Change in accounts receivable	(2,255)	275
Change in prepaid expenses	(76)	265
	5,196	**1,718**
Other:		
Contribution to pension fund	(15,416)	(17,712)
Payment of employee future benefits	(1,769)	(1,735)
	(17,185)	**(19,447)**
Cash provided by operating activities	**17,490**	**10,222**
INVESTING ACTIVITIES		
Net purchase of long-term investments	(2,552)	(2,014)
Investment in property and equipment	(14,528)	(8,975)
Investment in intangible assets	(2,791)	(2,934)
Cash used in investing activities	**(19,871)**	**(13,923)**
FINANCING ACTIVITIES		
Proceeds from short-term debt	2,000	-
Cash provided by financing activities	**2,000**	-
NET CHANGE IN CASH AND CASH EQUIVALENTS	(381)	(3,701)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	8,990	12,691
CASH AND CASH EQUIVALENTS - END OF YEAR	**8,609**	**8,990**

See accompanying notes to financial statements.

Supplementary Information:
(in thousands of Canadian dollars)

Interest paid	**532**	**3,279**

NOTES TO FINANCIAL STATEMENTS

1. NATURE OF OPERATIONS

Independent Electricity System Operator (IESO) is a not-for-profit, non-taxable corporation, created by statute effective on April 1, 1999 pursuant to Part II of the *Electricity Act, 1998*. As set out in the *Electricity Act, 1998*, the IESO operates pursuant to a licence granted by the Ontario Energy Board (OEB). The objects of the IESO as contained in the *Electricity Act, 1998* and amended, in the *Electricity Restructuring Act, 2004* and Ontario Regulation 452/06, are as follows:

- to exercise the powers and perform the duties assigned to the IESO under the *Electricity Restructuring Act, 2004*, the market rules and its licence;
- to enter into agreements with transmitters giving the IESO the authority to direct the operation of their transmission systems;
- to direct the operation and maintain the reliability of the IESO-controlled grid to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to participate in the development, by any standards authority, of standards and criteria relating to the reliability of the transmission systems;
- to work with the responsible authorities outside Ontario to co-ordinate the IESO's activities with their activities;
- to collect and provide information to the Ontario Power Authority (OPA) and the public relating to the current and short-term electricity needs of Ontario and the adequacy and reliability of the integrated power system to meet those needs;
- to operate the IESO-administered markets to promote the purposes of the *Electricity Restructuring Act, 2004*;
- to plan, manage and implement the smart metering initiative or any aspect of the initiative;
- to oversee, administer and deliver the smart metering initiative or any aspect of the initiative; and
- to establish and enforce standards and criteria relating to the reliability of transmission systems.

The IESO was designated the Smart Metering Entity by Ontario Regulation 393/07 under the *Electricity Act, 1998* on March 28, 2007. The regulation came into effect on July 26, 2007.

The objects of the Smart Metering Entity, as contained in the *Electricity Act, 1998*, are as follows:

- to plan and implement and, on an ongoing basis, oversee, administer and deliver any part of the smart metering initiative as required by regulation under this or any Act or directive made pursuant to sections 28.3 or 28.4 of the *Ontario Energy Board Act, 1998*, and, if so authorized, to have the exclusive authority to conduct these activities;
- to collect and manage and to facilitate the collection and management of information and data and to store the information and data related to the metering of consumers' consumption or use of electricity in Ontario, including data collected from distributors and, if so authorized, to have the exclusive authority to collect, manage and store the data;
- to establish, to own or lease and to operate one or more databases to facilitate collecting, managing, storing and retrieving smart metering data;
- to provide and promote non-discriminatory access, on appropriate terms and subject to any conditions in its licence relating to the protection of privacy, by distributors, retailers, the OPA and other persons,
    i. to the information and data referred to above, and
    ii. to the telecommunication system that permits the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including access to its telecommunication equipment, systems and technology and associated equipment, systems and technologies
- to own or to lease and to operate equipment, systems and technology, including telecommunication equipment, systems and technology that permit the Smart Metering Entity to transfer data about the consumption or use of electricity to and from its databases, including owning, leasing or operating such equipment, systems and technology and associated equipment, systems and technologies, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;
- to engage in such competitive procurement activities as are necessary to fulfill its objects or business activities;
- to procure, as and when necessary, meters, metering equipment, systems and technology and any associated equipment, systems and technologies on behalf of distributors, as an agent or otherwise, directly or indirectly, including through one or more subsidiaries, if the Smart Metering Entity is a corporation;

- to recover, through just and reasonable rates, the costs and an appropriate return approved by the Ontario Energy Board associated with the conduct of its activities; and
- to undertake any other objects that are prescribed by associated regulation.

The IESO is required to submit its proposed expenditures, revenue requirements, and fees for the coming year to the OEB for review and approval. The submission may be made only with the approval or deemed approval of the IESO business plan by the Minister of Energy (Minister).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Basis of financial statement preparation

The accompanying financial statements have been prepared on a going concern basis and in accordance with accounting principles generally accepted in Canada.

b) Revenue recognition

System fees earned by the IESO are based on approved rates for each megawatt of electricity withdrawn from the IESO-controlled grid, including exports. System fees are recognized as revenue at the time the electricity is withdrawn. Rebates are recognized in the year in which the approved regulatory deferral account, before such rebates, exceeds regulated limits.

These financial statements do not include the financial transactions of market participants within the IESO-administered markets.

Other revenue represents amounts that accrue to the IESO relating to services the IESO performs and charges on a recovery basis, investment income on funds passing through market settlement accounts, as well as fines and penalties. Such revenue is recognized as it accrues.

c) Financial instruments

CLASSIFICATION

- The IESO classified its cash and cash equivalents as "held for trading". In addition, the IESO designated its investment portfolio as being "held for trading" and classified its accounts receivable as "loans and receivables".
- Cash and cash equivalents comprise cash, term deposits and other short-term, highly-rated investments with original maturity dates of less than 90 days.
- Accounts payable and debt have been classified as other financial liabilities.

RECOGNITION AND MEASUREMENT

- Held for trading investments are recorded at fair value with gains and losses recorded in the statement of operations. Transactions are recorded based on trade dates. Transaction costs are charged to operations as incurred.
- Loans and receivables are initially recorded at fair value and subsequently measured at amortized cost using the effective interest rate method.
- The IESO's financial liabilities, comprising accounts payable and long-term debt are carried at amortized cost.
- Foreign currency exchange forward contracts are recorded at fair value. Where foreign currency exchange forward contracts meet the criteria for hedge accounting, changes in their values are reflected in accumulated surplus as other comprehensive income. Where such contracts do not meet the criteria for hedge accounting, changes in their value are recognized in the statement of operations.

d) Construction-in-progress

Construction-in-progress generally relates to the costs of physical facilities, hardware and software, and includes costs paid to vendors, internal and external labour, consultants and interest related to funds borrowed to finance the project. Costs relating to construction-in-progress are transferred to property and equipment in service or intangibles when the asset under construction is deemed to be ready for use.

e) Property and equipment in service

Property and equipment are capitalized at cost, which comprises materials, labour, external support, overhead, and interest applicable to capital activities.

f) Amortization

The capital cost of property and equipment and intangible assets in service is amortized on a straight-line basis over their estimated service lives.

The estimated service lives in years, from the date the assets were acquired, are:

Class	Estimated Average Service Life 2010	Estimated Average Service Life 2009
Facilities	38	38
Meter Data Management/Repository	11	6
Market Systems and Applications	5 to 11	5 to 9
Infrastructure and Other Assets	4 to 7	4 to 7
Intangible Assets	4	4

Gains and losses on sales of property and equipment are charged to operations. Losses on premature retirements for property and equipment and intangible assets are charged to operations.

The estimated service lives of property and equipment and intangible assets are subject to periodic review. The impacts of changes in the estimated lives are amortized on a prospective basis. The most recent review was completed in fiscal 2010.

g) Intangible assets

Intangible assets are capitalized at cost, which comprises materials, labour, external support, and overhead, applicable to capital activities.

h) Pension and other post-employment benefits

The IESO's post-employment benefit programs include pension, group life insurance, health care, long-term disability and workers compensation benefits.

The IESO accrues obligations under pension and other post-employment benefit (OPEB) plans and the related costs, net of plan assets. Pension and OPEB expenses and obligations are determined annually by independent actuaries using the projected benefit method and management's best estimate of expected return on plan assets, salary escalation, retirement ages of employees, mortality and expected healthcare costs. The discount rate used to value liabilities is based on market rates as at the measurement date of September 30.

The expected return on plan assets is based on management's long-term best estimate using a market-related value of plan assets. The market-related value of plan assets is determined using market-related values for equities (whereby fund assets are calculated using the smoothed value of assets over five years) and market values for fixed income securities, as at the measurement date of September 30.

Pension and OPEB expenses are recorded during the year in which employees render services. Pension and OPEB expenses consist of current service costs, interest expense on liabilities, expected return on plan assets and the amortization of plan amendments on a straight-line basis over the expected average remaining service life of the employees covered by the plan. Actuarial gains/(losses) arise from, among other things, the difference between the actual rate of return on plan assets for a period and the expected long-term rate of return on plan assets for that period or from changes in actuarial assumptions used to determine the accrued benefit obligations. The excess, if any, of the cumulative unamortized net actuarial gain or loss over 10% of the greater of the projected benefit obligation and the market-related value of plan assets is also amortized over the expected average remaining service life of the employees covered by the plan.

The expected average remaining service life of employees covered by the pension and OPEB plans is 11 years (2009 - 11 years).

i) Foreign currency exchange

Transactions denominated in foreign currencies are translated into Canadian dollars at the rate of exchange prevailing on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated in Canadian dollars at the rate prevailing at that date. Exchange gains and losses arising on settlement of foreign exchange transactions are reported in the statement of operations at the date at which the transactions are settled.

j) Use of estimates

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent assets and liabilities as at the date of the financial statements. The IESO's accounts which involve a greater degree of uncertainty include the carrying values of property and equipment and intangible assets, prepaid pension cost, rebates to market participants, and accrual for employee future benefits other than pensions. Actual results could differ from those estimates.

3. FUTURE CHANGE IN ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Part V of the Canadian Institute of Chartered Accountants Handbook (CICA Handbook). As of January 1, 2011, Part V of the CICA Handbook will cease to be a source of Generally Accepted Accounting Principles (GAAP) for the IESO. Accordingly, the IESO will be adopting Public Sector Accounting Board (PSAB) accounting standards as of that date.

4. PROPERTY AND EQUIPMENT

As at December 31 (in thousands of Canadian dollars)	2010			2009		
	Costs $	Accumulated Amortization $	Net Book Value $	Costs $	Accumulated Amortization $	Net Book Value $
Property and equipment in service						
Facilities	50,087	15,198	34,889	50,087	13,769	36,318
Meter Data Management/Repository	19,241	7,338	11,903	18,208	5,638	12,570
Market Systems and Applications	208,647	194,562	14,085	207,861	189,620	18,241
Infrastucture and Other Assets	77,284	71,725	5,559	75,178	67,451	7,727
	355,259	288,823	66,436	351,334	276,478	74,856
Construction-in-progress	15,262	-	15,262	4,882	-	4,882
	370,521	**288,823**	**81,698**	**356,216**	**276,478**	**79,738**

In 2010, the impact of adjustments to management's estimates of remaining asset service lives was a decrease in amortization expense of $8,645,343 (2009 - $390,533).

Interest capitalized to construction-in-progress during 2010 was $73,197.

5. INTANGIBLE ASSETS

As at December 31 (in thousands of Canadian dollars)	2010			2009		
	Costs $	Accumulated Amortization $	Net Book Value $	Costs $	Accumulated Amortization $	Net Book Value $
Intangible Assets	38,092	32,930	5,162	34,205	29,620	4,585
Construction-in-progress	1,682	-	1,682	2,100	-	2,100
	39,774	**32,930**	**6,844**	**36,305**	**29,620**	**6,685**

In 2010, the impact of adjustments to management's estimates of remaining asset service lives was $nil (2009 - $13,043).

6. LONG-TERM INVESTMENTS

Long-term investments in a balanced portfolio of pooled funds are valued by the pooled funds manager based on published price quotations and amount to $21,816,000 (2009 – $17,930,573). As at December 31, the market value allocation of these long-term investments was 60.8% equity securities and 39.2% debt securities (2009 – 60.9% and 39.1% respectively).

BALANCED PORTFOLIO OF POOLED FUNDS

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Opening Balance	17,931	14,502
Purchase of investments	2,825	2,014
Change in fair value	1,060	1,415
Closing balance	**21,816**	**17,931**

In its administration of the IESO-Administered Markets, the IESO directs the investment of market funds in highly-rated short-term investments, including previous investments in asset-backed commercial paper (ABCP), throughout the settlement cycle. The IESO is entitled to receive the investment interest and investment gains, net of investment losses earned on funds passing through the real-time market settlement accounts. The IESO is not entitled to the principal on real-time market investments.

In September 2010, the IESO divested all ABCP holdings. The IESO did not recognize any investment income earned in the market settlement accounts in 2010 (2009 - $nil).

7. POST-EMPLOYMENT BENEFIT PLANS

The IESO provides pension and other employee post-employment benefits, comprising group life insurance, long-term disability and group medical and dental plans, for the benefit of current and retired employees.

PENSION PLANS

The IESO provides a contributory defined benefit, indexed, registered pension plan. In addition to the funded, registered, pension plan, the IESO provides certain non-registered defined benefit pensions through an unfunded, indexed, non-registered plan.

OTHER EMPLOYEE FUTURE BENEFITS

The group life insurance, long-term disability and group medical and dental benefits are provided through unfunded, non-registered defined benefit plans.

SUMMARY OF ACCRUED BENEFIT OBLIGATIONS AND PLAN ASSETS

(in thousands of Canadian Dollars)	2010 Pension Benefits $	2009 Pension Benefits $	2010 Other Benefits $	2009 Other Benefits $
Accrued benefit obligation	441,351	396,936	75,593	67,630
Fair value of plan assets	293,615	269,791	-	-
Funded status	(147,736)	(127,145)	(75,593)	(67,630)
Employer contribution after measurement date	2,066	2,264	466	467
Unamortized past service costs	1,625	2,323	99	172
Unamortized net actuarial loss	147,118	125,907	18,629	15,970
Prepaid (accrued) benefit cost recognized in the statement of financial position	3,073	3,349	(56,399)	(51,021)

Prepaid benefit cost in 2010 is shown net of a valuation allowance of $nil.

REGISTERED PENSION PLAN ASSETS

As at the measurement date of September 30, registered pension plan assets were split by fair value between the following categories:

	2010	2009
Canadian equity securities	21.4%	21.0%
Foreign equity securities	36.7%	39.8%
Canadian debt securities	41.4%	37.5%
Cash equivalents	0.5%	0.7%
Forward foreign exchange contracts	-	1.0%
	100.0%	**100.0%**

SUMMARY OF PRINCIPAL ASSUMPTIONS USED TO CALCULATE BENEFIT OBLIGATIONS

	2010 Pension Benefits	2009 Pension Benefits	2010 Other Benefits	2009 Other Benefits
Discount rate at end of the period	5.4%	5.8%	5.4%	5.8%
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%

The assumed hospital and drug cost increase was 9.0% per annum initially. As of October 1, 2010, the assumed rate began its gradual decrease to a rate of 5.0% in 2018; the rate will remain at that level thereafter. Dental costs are assumed to increase by 6.0% per annum initially. As of October 1, 2010, the assumed rate began its gradual decrease to a rate of 4.5% in 2013; the rate will remain at that level thereafter.

SUMMARY OF BENEFIT COSTS AND PLAN CONTRIBUTIONS

(in thousands of Canadian Dollars)	2010 Pension Benefits $	2009 Pension Benefits $	2010 Other Benefits $	2009 Other Benefits $
Benefit cost	15,692	12,524	7,147	6,240
Employer contributions	15,416	17,603	1,770	1,717
Plan participants' contributions	3,008	2,749	-	-
Benefits paid	15,428	21,458	1,770	1,717

The most recent actuarial valuation of the registered pension plan for funding purposes was at January 1, 2008, and the date of the next required valuation is January 1, 2011.

SUMMARY OF PRINCIPAL ASSUMPTIONS USED TO CALCULATE BENEFIT COSTS

	2010 Pension Benefits	2009 Pension Benefits	2010 Other Benefits	2009 Other Benefits
Discount rate at the beginning of the period	5.8%	6.1%	5.8%	6.1%
Expected return on plan assets	6.75%	6.75%	-	-
Rate of compensation increase	4.0%	4.0%	4.0%	4.0%
Rate of indexing	2.5%	2.5%	-	-

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Relating to property and equipment	2,771	2,994
Relating to intangibles	920	242
Relating to operations	18,399	16,837
	22,090	**20,073**

9. DEBT

NOTE PAYABLE TO ONTARIO ELECTRICITY FINANCE CORPORATION (OEFC)

The note payable to OEFC is unsecured, bears interest at a per annum rate equal to the yield earned on 90-day Province of Ontario treasury bills on the quarterly reset date plus 25 basis points and is repayable in full on May 1, 2011. Interest accrues daily and is payable in arrears quarterly in February, May, August and November of each year. The fair value of the note payable approximates the carrying value. As of February 10, 2011, the IESO is exploring alternatives, with OEFC and various Canadian chartered banks, to refinance the $78.2 million debt. The IESO is confident the refinancing will be in place for May 1, 2011.

CREDIT FACILITY

The IESO had an unsecured credit facility agreement with a Canadian chartered bank which expired on April 30, 2010. Effective May 1, 2010, the IESO entered into a new unsecured credit facility agreement with OEFC, which will make available to the IESO an amount up to $60.0 million. The credit facility expires on April 30, 2013. Advances under this facility are available in Canadian dollars by way of the Province of Ontario's cost of borrowing for a 30-day term plus 25 basis points per annum. As at December 31, 2010, $2.0 million was drawn on the credit facility, (2009 - $nil).

10. CAPITAL DISCLOSURES

The IESO's primary objectives are to maintain and enhance the reliability of Ontario's power system, administer the wholesale electricity market, and serve the needs of market participants and stakeholders. In order to fulfill its mandate, the IESO receives fees from market participants (Note 1). The IESO has a limited ability to accumulate a surplus from these fees (Note 11).

On April 1, 2010, the Ontario Energy Board (OEB) issued its order approving the IESO's application fee of $1,000, the usage fee of $0.822/MWh and the IESO's revenue requirements in the amount of $122.8 million and capital expenditures in the amount of $21.6 million.

The IESO submitted the proposed 2011 expenditures, revenue requirements, and fees to the OEB for review on November 2, 2010 after approval by the Minister. The Minister provided formal approval of IESO's business plan on November 1, 2010. As of February 10, 2011, the OEB has not approved the IESO's proposed expenditures, revenue requirements, and fees for 2011.

In addition, the IESO maintains a credit facility for short-term funding to support its various capital requirements. The IESO has customary covenants associated with the credit facility and is in compliance with all of these covenants.

11. ACCUMULATED DEFICIT AND REBATES TO MARKET PARTICIPANTS

In its 2011 rate application, the IESO requested to retain $13.1 million in its approved regulatory deferral account. The IESO proposed that this accumulated surplus be retained in order to maintain rate stabilization over the planning period (2011 to 2013). Accordingly, the IESO recognized $10,193,142 in rebates to market partipants of system fees in 2010 (2009 – $4,323,840). As at February 10, 2011, the retention of $13.1 million in accumulated surplus has not yet been approved by the OEB.

As at December 31, the components of the accumulated deficit were as follows:

Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Regulatory deferral account (a)	13,100	5,000
Accumulated market penalties and fines (b)	1,134	1,372
Smart Metering Entity - accumulated deficit (c)	(41,713)	(25,897)
	(27,479)	**(19,525)**

a) Approved Regulatory Deferral Account

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Accumulated Surplus – beginning of year	5,000	5,000
Revenues (before rebates to Market Participants)	130,041	125,770
Rebates to Market Participants	(10,193)	(4,324)
Expenses	(99,550)	(99,849)
Amortization	(13,954)	(21,239)
Net interest	1,756	(358)
Accumulated Surplus – end of year	**13,100**	**5,000**

b) Accumulated Market Penalties and Fines

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Accumulated Surplus – beginning of year	1,372	1,832
Revenue from Penalties and Fines	5	53
Customer Education Expenses	(243)	(513)
Accumulated Surplus – end of year	**1,134**	**1,372**

c) Smart Metering Entity - Accumulated Deficit

As at December 31 (in thousands of Canadian dollars)	2010 $	2009 $
Accumulated Deficit – beginning of year	(25,897)	(12,443)
Smart Meter Program Costs	(13,665)	(9,962)
Smart Meter Amortization	(1,700)	(3,080)
Smart Meter Interest Expense	(451)	(412)
Accumulated Deficit – end of year	**(41,713)**	**(25,897)**

In his approval letter to proceed to the OEB for approval of the 2010 usage fee, the Minister noted the intention of the IESO to apply to the OEB separately for a smart meter service fee with respect to the costs the IESO has incurred on the smart metering initiative. At that time, the Minister requested, prior to the IESO filing an application to the OEB in respect of a smart meter service fee, the IESO provide him with a detailed implementation plan, and schedule for the integration of the local distribution companies, to enable a broader transition to time-of-use pricing for electricity consumers. The IESO has since provided a plan to the Minister and received approval to proceed with an application before the OEB.

The IESO has been performing its role as SME under the interim SME licence initially issued by the Board on September 14, 2007, with extensions of various lengths granted since that date.

As of February 10, 2011, the IESO's smart meter service fees have not yet been established.

12. RELATED PARTY TRANSACTIONS

The Province of Ontario is a related party as it is the controlling entity of the IESO. OEFC, OPA, OEB, Hydro One and Ontario Power Generation Inc. (OPG) are related parties of the IESO, through the common control of the Province of Ontario. Transactions between these parties and the IESO were as follows:

The IESO holds a note payable and an unsecured credit facility agreement with the OEFC (Note 9). Interest payments made by the IESO in 2010 for the note payable were $514,128 (2009 - $3,278,830) and for the credit facility were $17,878 (2009 - $nil).

The IESO performs system studies for the OPA in support of their Power System Planning requirements. In addition, the IESO also provides support to the OPA's Demand Response program. In 2010, the IESO invoiced the OPA $449,897 (2009 - $356,516) for services associated with these programs. The IESO is participating with the OPA in a Solar Integration Study and has incurred $23,450 in 2010 (2009 - $nil). As of December 31, 2010, the IESO had a net receivable balance with the OPA of $198,271 (2009 - $51,696).

Under the *Ontario Energy Board Act, 1998*, the IESO incurs registration and licence fees. The total of the transactions with the OEB were $487,713 in 2010 (2009 - $526,572).

The IESO performed connection assessment and approvals for Hydro One in 2010 and began performing technical feasibility studies. The IESO invoiced Hydro One $417,823 in 2010 (2009 - $361,955). The IESO procures short circuit studies as part of connection assessments and approvals and meter services on IESO owned interconnected revenue meters from Hydro One. In 2010, the IESO incurred costs of $137,694 (2009 - $692,733) for these services. As of December 31, 2010, the IESO had a net payable balance with Hydro One of $40,863 (2009 – net receivable balance of $46,019).

In 2010, the IESO performed connection assessment and approvals for OPG; administered telecommunication services to market participants to connect to the real-time market systems and began performing technical feasibility studies. In 2010, OPG was invoiced $409,504 (2009 - $185,667). OPG provided security clearance services to the IESO, which were discontinued in July 2010. In 2010, the IESO incurred costs of $11,780 (2009 - $41,150). As of December 31, 2010, the IESO had a net receivable balance with OPG of $123,533 (2009 - $20,737).

13. FINANCIAL RISK MANAGEMENT

The IESO is exposed to financial risks in the normal course of its business operations, including market risks resulting from volatilities in equity, debt, and foreign currency exchange markets, as well as credit risk and liquidity risk. The nature of the financial risks and the IESO's strategy for managing these risks has not changed significantly from the prior year.

a) Market Risk

Market risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate to cause changes in market prices. The IESO is exposed to three types of market risk: currency risk, interest rate risk and equity risk. The IESO monitors its exposure to market risk fluctuations and may use financial instruments to manage these risks as it considers appropriate. The IESO does not use derivative instruments for trading or speculative purposes.

i) Currency Risk

The IESO conducts certain transactions in US dollars, primarily related to vendor payments, and maintains a US dollar denominated bank account. From time to time, the IESO uses currency forward purchase contracts to purchase foreign currencies for delivery at a specified date in the future at a fixed exchange rate. In addition, the IESO invests in pooled funds with US dollar and other foreign currency denominated investments. The reasonably possible currency risks associated with these exposures were not material as at December 31, 2010.

ii) Interest Rate Risk

The IESO is exposed to changes in interest rates primarily through its variable rate credit facility, cash equivalents, and long-term investments. Long-term investments include investments in a pooled Canadian bond fund. The reasonably possible interest rate risks associated with these exposures were not material as at December 31, 2010.

iii) Equity Risk

The IESO is exposed to changes in equity prices through its long-term investments. Long-term investments include investments in pooled equity funds. A 30% change in the value of equities in the IESO's pooled fund investments as at December 31, 2010 would have resulted in a change for the year (before the impact of adjustments to the approved regulatory deferral account (Note 11) of approximately $4.0 million (2009 - $3.3 million).

Financial instruments at fair value as at December 31, 2010 (in thousands of Canadian dollars)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	8,609	-	-	8,609
Investment in pooled funds	21,816	-	-	21,816
	30,425	**-**	**-**	**30,425**

b) Credit Risk

Credit risk refers to the risk that one party to a financial instrument may cause a financial loss for the other party by failing to meet its obligations under the terms of the financial instrument. The IESO is exposed directly to credit risk related to cash equivalents and accounts receivable and indirectly through its exposure to bond investments in pooled funds. Direct exposure to credit risk is limited to the carrying amount presented for these assets on the statement of financial position. The IESO manages credit risk associated with cash equivalents (which amounted to $8.6 million as at December 31, 2010) through approved management policy which limits investments to investment grade investments with counterparty-specific limits of no more than $20 million. Accounts receivable as at December 31, 2010 included no material items past due and substantially all of the balance was collected as at January 21, 2011. As at December 31, 2010, the Canadian bond fund in which the IESO invests comprised of investment grade securities.

c) Liquidity Risk

Liquidity risk refers to the risk that the IESO will encounter financial difficulty in meeting obligations associated with its financial liabilities. The IESO manages liquidity risk by forecasting cash flows to identify financing requirements. Cash flows from operations and investment income and maintaining appropriate credit facilities reduce liquidity risk. The IESO's long-term investments in pooled funds are normally able to be redeemed within three business days, however, the manager of the pooled funds has the authority to require a redemption in-kind rather than cash and has the ability to suspend redemptions if deemed necessary.

14. COMMITMENTS AND CONTINGENCIES

OPERATING COMMITMENTS

The obligations of the IESO with respect to non-cancellable operating leases over the next five years are as follows:

As at December 31 (in thousands of Canadian dollars)	2010 $
2011	1,818
2012	709
2013	596
2014	527
2015	527

Contingencies

The IESO is subject to various claims, legal actions, and investigations that arise in the normal course of business. While the final outcome of such matters cannot be predicted with certainty, management believes that the resolution of such claims, actions and investigations will not have a material impact on the IESO's financial position or results of operations.

LEGAL AID ONTARIO
AIDE JURIDIQUE ONTARIO

40 Dundas Street West, Suite 200, Toronto ON M5G 2H1
40, rue Dundas Ouest, bureau 200, Toronto ON M5G 2H1

Toll free / Sans frais : 1-800-668-8258
Phone / Téléphone : 416-979-2352
Fax / Télécopieur : 416-979-2948
www.legalaid.on.ca

Management's Statement of Responsibility

The Management of Legal Aid Ontario is responsible for the preparation, presentation and integrity of the accompanying financial statements, Management's Discussion and Analysis and all other information contained in this Annual Report. This responsibility includes the selection and consistent application of appropriate accounting principles and methods in addition to making the judgements and best estimates necessary to prepare the financial statements in accordance with Canadian generally accepted accounting principles, with appropriate consideration to materiality. The significant accounting policies followed by Legal Aid Ontario are described in the financial statements.

Management has developed and maintains a system of internal control, business practices and financial reporting to provide reasonable assurance that assets are safeguarded and that relevant and reliable financial information is produced on a timely basis. Internal auditors, who are employees of Legal Aid Ontario, review and evaluate internal controls on management's behalf.

The Board of Directors of Legal Aid Ontario ensures that management fulfils its responsibilities for financial information and internal control through an Audit and Finance Committee. This Committee meets regularly with management and the auditor to discuss internal controls, audit findings and the resulting opinion on the adequacy of internal controls, and the quality of financial reporting issues. The auditors have access to the Audit and Finance Committee, without management present, to discuss the results of their work.

The accompanying financial statements have been examined by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor General's examination and opinion.

Robert W. Ward President and Chief Executive Officer June 2, 2010	Michelle Séguin Vice President and Chief Administrative Officer June 2, 2010

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To Legal Aid Ontario
and to the Attorney General of Ontario

I have audited the accompanying financial statements of Legal Aid Ontario, which comprise the balance sheet as at March 31, 2011, and the statements of operations and changes in net deficit and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of Legal Aid Ontario as at March 31, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Toronto, Ontario
June 2, 2011

Legal Aid Ontario
Balance Sheet

March 31		2011 ($000's)		2010 ($000's)
ASSETS				
Current				
Cash and cash equivalents (Note 2)	$	6,568	$	20,008
Short-term investments (Note 4)		16,589		12,059
Short-term investments - contingency reserve (Notes 4 and 10)		-		10,000
Prepaid expenses		1,271		1,252
Client accounts receivable (Note 3(a))		11,475		13,362
Other receivables (Note 3(b))		13,789		11,412
	$	49,692	$	68,093
Long-term client accounts receivable (Note 3(a))		22,222		23,194
Capital assets (Note 5)		5,124		8,233
	$	77,038	$	99,520
LIABILITIES AND NET DEFICIT				
Current				
Accounts payable and accrued liabilities (Note 6)	$	83,965	$	96,199
Deferred capital contributions (Note 7)		21		253
Deferred revenue (Note 8)		5,000		5,580
Accrued pension benefit (Note 13)		569		1,413
	$	89,555	$	103,445
Net Deficit				
Net accumulated deficit (Note 1(c))	$	(17,620)	$	(21,905)
Invested in capital assets (Note 9)		5,103		7,980
Contingency reserve (Notes 4 and 10)		-		10,000
	$	(12,517)	$	(3,925)
	$	77,038	$	99,520

On behalf of the Board:

Chair

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Operations

For the year ended March 31		2011 ($000's)		2010 ($000's)
REVENUE				
Total Government Funding (Note 1(a))	$	320,810	$	315,439
The Law Foundation of Ontario		13,397		4,837
Client contributions		18,114		21,880
Client and other recoveries		521		664
Investment income		268		553
Miscellaneous income		461		721
TOTAL REVENUE	$	353,571	$	344,094
EXPENSES				
Client Programs				
Certificate Program				
Criminal - Big Cases	$	23,160	$	24,211
Criminal - Others		80,775		79,853
Sub-total		103,935		104,064
Family		49,250		51,801
Immigration and refugee		18,768		18,571
Other civil		5,459		6,044
Sub-total		177,412		180,480
Settlement conferences		105		155
Family law offices		4,092		2,521
Criminal law offices		652		1,037
Refugee law office		1,172		1,166
Nishnawbe-Aski legal services corporation		1,479		1,802
Sub-total		184,912		187,161
Duty Counsel Program				
Duty counsel fees and disbursements		42,791		38,184
Expanded duty counsel		940		814
Sub-total		43,731		38,998
Clinic Program and Special Services				
Clinic law services (Note 11)		65,204		60,020
Student legal aid societies		3,295		3,217
Clinic information management project				40
Sub-total		68,499		63,277
Service Innovation Projects				
Other		682		916
Sub-total		682		916

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Operations
(Continued)

For the year ended March 31	2011 ($000's)	2010 ($000's)
EXPENSES (continued)		
Program Support		
Regional operations	1,693	2,124
District/Area office services	10,601	33,473
Client service center	4,678	761
Sub-total	16,972	36,358
TOTAL CLIENT PROGRAMS	$ 314,796	$ 326,710
Service Provider Support		
Research facility	3,480	3,885
Lawyers services and payments	1,795	3,115
Sub-total	5,275	7,000
Administrative and Other Costs		
Provincial office	25,856	26,035
Amortization expense	3,757	3,793
Bad debts expense	12,479	8,202
Sub-total	42,092	38,030
TOTAL EXPENDITURES	$ 362,163	$ 371,740
Deficiency of revenue over expenses for the year	$ (8,592)	$ (27,646)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Changes in Net Deficit

For the year ended March 31, 2011

	Invested in capital assets (Note 9)	Contingency reserve (Note 10)	Accumulated deficit (Note 1(c))	2011 Total ($000's)	2010 Total ($000's)
Net accumulated surplus/(deficit), beginning of year	$ 7,980	$ 10,000	$ (21,905)	$ (3,925)	$ 23,721
Deficiency of revenue over expenses	(3,525)	-	(5,067)	(8,592)	(27,646)
Investment in capital assets	648	-	(648)	-	-
Transfer to accumulated deficit	-	(10,000)	10,000	-	-
Net accumulated surplus/(deficit), end of year	$ 5,103	$ -	$ (17,620)	$ (12,517)	$ (3,925)

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Statement of Cash Flows

For the year ended March 31	2011 ($000's)	2010 ($000's)
Cash provided by (used in)		
OPERATING ACTIVITIES		
Deficiency of revenue over expenses for the year	$ (8,592)	$ (27,646)
Adjustments to reconcile deficiency of revenue over expenses to net cash provided by operating activities:		
Amortization	3,757	3,793
Amortization of deferred capital contributions	(232)	(232)
Employer pension contributions	(2,251)	(2,245)
Pension expense	1,407	2,402
Changes in non-cash working capital balances:		
Client accounts receivable	1,887	554
Other receivable	(2,377)	(3,765)
Prepaid expenses	(19)	(55)
Accounts payable and accrued liabilities	(12,234)	10,177
Accrued interest on investments	(30)	577
Deferred revenue	(580)	5,580
Long-term client accounts receivable	972	(3,170)
	$ (18,292)	$ (14,030)
INVESTING ACTIVITIES		
Purchase of capital assets	$ (648)	$ (1,106)
Redemption of investments	5,500	28,000
	$ 4,852	$ 26,894
Net increase (decrease) in cash and cash equivalents during the year	(13,440)	12,864
Cash and cash equivalents, beginning of year	20,008	7,144
Cash and cash equivalents, end of year	$ 6,568	$ 20,008

The accompanying summary of significant accounting policies and notes are an integral part of these financial statements.

Legal Aid Ontario
Summary of Significant Accounting Policies

March 31, 2011

NATURE OF OPERATIONS

On December 18, 1998, the Ontario Legislative Assembly enacted the *Legal Aid Services Act, 1998* whereby Legal Aid Ontario (the "Corporation") was incorporated without share capital under the laws of Ontario. The Corporation began operations on April 1, 1999 and is tax exempt under the Income Tax Act (Canada).

The *Legal Aid Services Act, 1998* establishes the following mandate for the Corporation:

- To promote access to justice throughout Ontario for low-income individuals by providing high quality legal aid services
- To encourage and facilitate flexibility and innovation in the provision of legal aid services
- To recognize the diverse legal needs of low-income individuals and disadvantaged communities
- To operate within a framework of accountability for the expenditure of public funds

The affairs of the Corporation are governed and managed by a Board of eleven Directors appointed by the Lieutenant Governor in Council. While the Corporation operates independently from the Province of Ontario and the Law Society of Upper Canada, it is accountable for the expenditure of public funds and for the provision of legal aid services in a manner that both meets the needs of low-income individuals and is cost-effective and efficient.

BASIS OF ACCOUNTING

The Corporation follows the deferral method of accounting for contributions.

Accumulated surplus (deficit) represents the excess (deficiency) of revenue over expenses related to the Corporation's program delivery and administrative activities.

The financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

REVENUE RECOGNITION

Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue if the amount to be received can be reasonably estimated and collection is reasonably assured. Due to uncertainty surrounding the amounts to be billed, client contributions are recognized as revenue when the Corporation accrues a lawyer's invoice on behalf of a client. Judgments, costs and settlements are recognized as revenue when awarded.

EXPENSE RECOGNITION

Expenses are recognized on an accrual basis. Certificate program costs include amounts billed to the Corporation by lawyers and an estimate of amounts for work performed by lawyers but not yet billed to the Corporation.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and balances with banks plus highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturities of three months or less.

Legal Aid Ontario
Summary of Significant Accounting Policies (Continued)

March 31, 2011

FINANCIAL INSTRUMENTS

The Corporation has designated all of its investments as Available for Sale recorded at fair value. Transaction costs related to the purchase of investments are capitalized and costs related to the sale of investments are expensed in the year incurred. Changes in fair value are treated as an increase or decrease in the statement of changes in net accumulated surplus (deficit). Fair values for investments are valued at year-end quoted market prices.

The Corporation has designated client accounts receivable as loans and receivables and carries them at amortized cost using the effective interest rate method.

The Corporation has designated its cash and cash equivalents as Held-For-Trading and carries them at fair value. Accounts payable and accrued liabilities are designated as Other Liabilities and are also carried at fair value. The fair value of cash and cash equivalents, accounts payable and accrued liabilities approximate their face value due to the short-term nature of these accounts.

The Corporation has adopted the Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3861, Financial Instruments - Disclosure and Presentation, in accordance with the Accounting Standards Boards' decision to exempt not-for-profit organizations from the disclosure requirements with respect to financial instruments contained with Section 3862, Financial Instruments - Disclosures, and Section 3863, Financial Instruments - Presentation.

CAPITAL ASSETS

Capital assets are recorded at cost less accumulated amortization. Amortization is provided on the straight-line basis over the estimated useful life of the asset as follows:

Furniture and office equipment	- 5 years
Computer hardware and software	- 3 years
Custom-designed software	- 3 years
Enterprise-wide software	- 7 years
Leasehold improvements	- over the term of lease

DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions, related to the funding received from the Province of Ontario for the acquisition of capital assets, represents the unamortized portion of contributions used for the acquisition of capital assets. Amortization of the deferred capital contribution is provided on the same basis as the related asset.

PENSIONS

Substantially all of the Corporation's employees are enrolled in a defined contribution plan. The cost of pension benefits for defined contribution plans are charged to operations as contributions become due. The Corporation also has seven employees enrolled in a defined benefit plan. The cost of pension benefits earned by the employees covered by the defined benefit plan is actuarially determined using the projected benefit method prorated on service and management's best estimate of expected plan investment performance, salary escalation, terminations and retirement ages of plan members. Adjustments for plan amendments, changes in assumptions and actuarial gains and losses are recorded in the statement of operations over the expected average remaining service life of the employee group which is approximately 7 years.

USE OF ESTIMATES

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from management's best estimates as additional information becomes available in the future. Significant estimates in the financial statements include the allowance for accounts receivable, accruals related to legal work performed but not yet billed and accrued pension benefits.

Legal Aid Ontario
Notes to Financial Statements

March 31, 2011

1. Government Funding

Section 71 of the *Legal Aid Services Act, 1998* requires the Corporation and the Attorney General of Ontario to enter into a Memorandum of Understanding ("MOU") every five years. The purpose of the MOU is to clarify the operational, administrative, financial, and other relationships between the Attorney General and the Corporation.

The most recent Memorandum of Understanding was signed on December 10, 2008. The agreement is effective for five years and expires on December 10, 2013.

(a) The Corporation is economically dependent on the Province of Ontario, and contributions received from the Province were allocated as follows:

	2011 ($000's)	2010 ($000's)
Contributions	$ **320,578**	$ 315,207
Amortization of deferred capital contributions (Note 7)	**232**	232
	$ **320,810**	$ 315,439

One time funding in the amount of $10.0 million was received from the Province in 2010 and is reflected in the total contributions for that year. In 2011, an additional $15.0 million was received from the Province as part of a governmental LAO Revitalization initiative that will result in a total of $60.0 million in additional permanent funding being provided to LAO by 2013.

(b) Included in contributions from the Province of Ontario for the year ended March 31, 2011 is an amount of $53.1 million (2010 - $53.3 million) representing an allocation of funds from a lump sum transfer by the Federal Government to the Province in connection with criminal law, the Youth Criminal Justice Act, Immigration and Refugee expenditures for unique pressures through a cost-sharing arrangement.

(c) Subsection 66(3) of the *Legal Aid Services Act, 1998* allows the Corporation to designate any surplus or deficit in a fiscal year to either or both of the two subsequent fiscal years with the approval of the Attorney General, unless under Subsection 69(2) it is ordered by the Minister of Finance to pay its surplus into the Consolidated Revenue Fund.

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

2. Cash and Cash Equivalents

The Corporation has an operating line of credit in the amount of $5.0 million to cover temporary bank overdrafts. This facility remained unused at March 31, 2011. The credit facility bears interest at the prime rate and is unsecured.

3. Accounts Receivable

(a) Client Accounts Receivable

	2011 ($000's)	2010 ($000's)
Total Client accounts receivable	$ 87,082	$ 84,737
Less: Allowance for bad debts	(53,385)	(48,181)
Client accounts receivable (net)	$ 33,697	$ 36,556
Represented by		
Current client accounts receivable	11,475	13,362
Long-term client accounts receivable	22,222	23,194
	$ 33,697	$ 36,556

The Corporation has a client contribution program for legal aid applicants who do not meet the Corporation's financial eligibility requirements for a non-contributory certificate. These applicants receive the assistance they need by entering into a contribution agreement, by which they undertake to repay the Corporation over time for the services provided to them. Contribution agreements may include monthly payments and/or liens on property.

(b) Other receivables

Other receivables are mainly comprised of amounts due from the Law Foundation of Ontario, Canada Revenue Agency and both the Federal and Provincial governments for protocol cases. A portion of Legal Aid's revenue is received from the Law Foundation of Ontario and this receivable represents the outstanding amount at year end. Amounts due from Canada Revenue Agency represents HST refunds outstanding as at year end. Protocol legal cases are administered by Legal Aid on behalf of both the Federal Department of Justice (DOJ) and the Ontario Ministry of the Attorney General (MAG); these receivables represent the outstanding amounts at year end.

	2011 ($000's)	2010 ($000's)
Due from The Law Foundation of Ontario	$ 2,364	$ 587
HST receivables	6,135	5,987
MAG protocol cases receivables	2,785	2,483
DOJ protocol cases receivables	1,742	1,422
Other receivables	763	933
Balance, end of year	$ 13,789	$ 11,412

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

4. Investments

	2011 ($000's)		2010 ($000's)	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Guaranteed investment certificates	$ 16,500	$ 16,500	$ 22,000	$ 22,000
Accrued interest	89	89	59	59
	$ 16,589	$ 16,589	$ 22,059	$ 22,059
Less: Contingency reserve - Short-term (Note 10)	$ -	$ -	$ (10,000)	$(10,000)
Total	$ 16,589	$ 16,589	$ 12,059	$ 12,059

The Corporation has developed an investment policy in accordance with the statutory requirements outlined in Sections 7(1), 7(2), 7(3) and 7(4) of Ontario Regulation 107/99 made under the *Legal Aid Services Act, 1998*. The Corporation's short-term and long-term investment policy is to invest in highly liquid investments in Canadian federal government securities, Canadian provincial government securities or other guaranteed investment certificates issued or guaranteed by Canadian financial institutions with a rating of A or above. The investments held by the Corporation as at March 31, 2011 are in compliance with the statutory requirements. The Corporation earned total investment income of $ 0.3 million in 2011 (2010 - $0.6 million).

The Corporation's investment portfolio is exposed to various risks, which are mitigated by the type of investments and therefore risk is low. The associated risks with the investments are as follows:

(a) Interest rate risk:
The value of fixed income securities will generally rise if interest rates fall and decrease if interest rates rise. The fixed income investments consist of $16.5 million (2010 - $22.0 million) invested in guaranteed investment certificates, bearing interest rates of 0.50% and 1.15% (2010 - 0.5%) and maturing on April 8, 2011 and September 16, 2011 (2010 - April 10, 2010 to September 17, 2010).

(b) Liquidity risk:
Liquidity risk is the ease with which an organization can readily convert their investments into cash. Guaranteed investment securities represent instruments in highly liquid investments that are readily converted into known amounts of cash.

(c) Market risk:
Market risk arises as a result of trading fixed income securities. Fluctuation in the market exposes the Corporation to a risk of loss. Given the composition of the investment portfolio and the statutory requirements regarding investment decisions, market risk is low.

Legal Aid Ontario
Notes to Financial Statements (Continued)

March 31, 2011

5. Capital Assets

	2011 ($000's)		2010 ($000's)	
	Cost	**Accumulated Amortization**	Cost	Accumulated Amortization
Furniture and office equipment	**$ 1,015**	**$ 558**	$ 998	$ 482
Computer hardware and software	**14,627**	**13,858**	16,196	14,982
Custom-designed software	**39**	**23**	84	45
Enterprise-wide software	**15,628**	**14,904**	15,628	12,672
Leasehold improvements	**7,871**	**4,713**	7,931	4,423
	$ 39,180	**$ 34,056**	$ 40,837	$ 32,604
Net book value		**$ 5,124**		$ 8,233

6. Accounts Payable and Accrued Liabilities

	2011 ($000's)	2010 ($000's)
Legal accounts - billings received but not paid	**$ 18,699**	$ 24,252
- work performed but not yet billed	**56,186**	55,511
Rent inducements	**1,569**	1,762
Trade and other payables	**6,685**	13,886
Vacation pay	**826**	788
	$ 83,965	$ 96,199

At year end, management estimates the liability for work performed by private lawyers that has not yet been billed to the Corporation to be approximately $56.2 million (2010 - $55.5 million).

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

7. Deferred Capital Contributions

Changes in capital contributions relating to Province of Ontario funded projects are as follows:

		2011 ($000's)		2010 ($000's)
Balance, beginning of year	$	253	$	485
Amortization of deferred capital contributions (Note 1(a))		(232)		(232)
Balance, end of year	$	21	$	253

8. Deferred Revenue

The Corporation has received advance funds for future projects from the following organizations:

		2011 ($000's)		2010 ($000's)
Law Foundation of Ontario	$	5,000	$	5,000
Ministry of Attorney General		-		580
Balance, end of year	$	5,000	$	5,580

9. Changes in Net Assets Invested in Capital Assets

		2011 ($000's)		2010 ($000's)
Balance, beginning of year	$	7,980	$	10,435
Amortization		(3,757)		(3,793)
Amortization of deferred capital contributions		232		232
Purchase of capital assets		648		1,106
Balance, end of year	$	5,103	$	7,980
Represented by				
Capital assets (Note 5)	$	5,124	$	8,233
Deferred capital contributions (Note 7)		(21)		(253)
	$	5,103	$	7,980

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

10. Contingency Reserve

Section 66(4) of the Legal Aid Services Act, 1998, requires the Corporation to maintain a contingency reserve fund as prescribed by section 6 of Ontario Regulation 107/99. This fund was established on April 1, 1999 with a balance of $20 million which was funded by the Corporation. The Regulation also requires the Corporation to obtain advance approval from the Attorney General for any withdrawal beyond $5 million of this capital amount and for the Corporation to provide an explanation of why the withdrawal is needed, a schedule for repayment, and a statement of the Corporation's plans for preventing a similar need from arising in future. During fiscal 2011, with the approval of the Attorney General, the Corporation withdrew $10 million from the fund which was applied against the accumulated deficit. The Corporation's 2011/12 business plan makes provision for the replenishment of the fund in future years.

	2011 ($000's)	2010 ($000's)
Balance, beginning of year	$ **10,000**	$ 20,000
Transfer to accumulated surplus	**(10,000)**	(10,000)
Balance, end of year	$ -	$ 10,000

Represented by	2011 ($000's)	2010 ($000's)
Investments - short-term (Note 4)	$ -	$ 10,000
	$ -	$ 10,000

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

11. Clinic Law Services

The Corporation provides funding to community clinics enabling them to provide poverty law services to the community they serve on a basis other than fee for service. The community clinics are organizations structured as corporations without share capital and are governed and managed by a board of directors. Community Clinics are independent from, but accountable to, the Corporation under Sections 33 to 39 of the *Legal Aid Services Act, 1998*. Each community clinic is independently audited and is required to provide audited financial statements to the Corporation for the funding period.

The total funding to community clinics consists of direct funding transfers and the cost of centrally provided support services.

	2011 ($000's)	2010 ($000's)
Payments to and on behalf of clinics	**$ 65,204**	$ 60,020
	$ 65,204	$ 60,020

12. Commitments and Contingencies

(a) The Corporation issues certificates to individuals seeking legal aid assistance. Each certificate issued authorizes legal services to be performed within the tariff guidelines. At March 31, 2011 management estimates that a potential $49.7million (2010 - $44.0 million) could still be incurred on certificates issued on or before March 31, 2011 over and above the billings received to date and management's estimate of work performed but not yet billed.

(b) The Corporation leases various office premises and equipment throughout the Province. The base rent and estimated operating costs based on prior period information under these leases for the next five years and thereafter are approximately as follows:

	Base Rent ($000's)	Operating Cost ($000's)	Total ($000's)
2012	$ 2,293	$ 2,610	$ 4,903
2013	1,459	1,995	3,454
2014	1,322	1,920	3,242
2015	1,280	1,891	3,171
2016	1,186	1,801	2,987
Thereafter	2,685	4,351	7,036
	$ 10,225	$ 14,568	$ 24,793

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

12. Commitments and Contingencies (continued)

(c) The Corporation is the defendant in a number of lawsuits arising in the ordinary course and conduct of business. The outcome and ultimate disposition of these actions are not likely to be significant and are not determinable at this time. Losses, if any, will be accounted for in the period of settlement.

Some of the above lawsuits are covered by insurance after the application of a deductible of up to $5 thousand, depending on when the event of the claim occurred and the nature of the claim.

13. Pensions

The Corporation has a pension plan to provide retirement benefits for its employees. The plan has effectively two plans, a defined contribution with a defined benefit component and supplementary (executive) plan.

Defined Contribution Component

The defined contribution component of the plan covers 694 (2010 - 656) employees. The Corporation makes pension contributions to the defined contribution component of the plan which is limited to making regular payments to match the amount contributed by the employees for current service. The Corporation's pension expense for the year relating to this component of the plan was $2.028 million (2010 - $2.134 million).

Defined Benefit Component

The defined benefit component of the plan covers seven (2010 - 9) participants. Under this benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. It is subject to actuarial valuations for funding purposes at intervals of not more than three years. Management has engaged a third party to prepare a valuation as of January 2011, final report to be released. The Corporation makes pension contributions to this component of the plan in amounts recommended by the actuary.

For the year ended March 31, 2011, an extrapolation for accounting purposes was performed using the following assumptions:

	2011	2010
Accrued benefit obligation as of March 31:		
Discount rate	5.60%	5.75%
Rate of compensation increase	4.00%	4.00%
Benefit costs for year ended March 31:		
Discount rate	5.75%	7.25%
Expected long-term rate of return on plan assets	6.00%	6.00%
Rate of compensation increase	4.00%	4.00%

Legal Aid Ontario
Notes to Financial Statements
(Continued)

March 31, 2011

13. Pensions (continued)

The reconciliation of the funded status of the defined benefit component of the plan to the amounts recorded in the financial statements of the Corporation is as follows:

	2011 ($000's)	2010 ($000's)
Accrued benefit obligation	$ 3,276	$ 3,469
Fair value of plan assets	3,341	3,003
Funded status plan surplus (deficiency)	65	(466)
Balance of unamortized amounts	232	669
Accrued benefit asset	297	203
Pension expense	10	86
Pension contributions		
Employees	20	24
Corporation	104	111
Pension paid benefits	67	30

Supplementary Benefit Plan

The Board of the Corporation has also approved the establishment of a supplementary pension benefit plan for designated executive members. Under the supplementary pension benefit plan, benefits at retirement are related to years of service and remuneration during the years of employment. The Plan is unfunded and the benefits will be paid by the Corporation as they become due. The accounting valuation for the unfunded retirement plan has been performed as at March 31, 2011.

For the year ended March 31, 2011, an actuarial valuation for accounting purposes was performed using the following assumptions with respect to the accrued benefit obligation and benefit costs:

	2011	2010
Discount rate	6.00%	6.00%
Inflation	3.00%	3.00%

The Corporation's pension income for the year was $(0.631) million (2010 - $0.181 million expense); the pension accrued benefit obligation as at March 31, 2011 was $0.650 million (2010 - $0.593 million); and the accrued benefit liability as at March 31, 2011 was $0.866 million (2010 - $1.616 million). During the year, the Corporation made payments out of the plan of $0.119 million (2010 - $ nil).

14. Comparative Figures

Certain comparative figures has been reclassified in order to conform with current year presentation.

140 Allstate Parkway, Suite 210
Markham, ON L3R 5Y8
Tel: 905 948-1872 • Fax: 905 948-8011
Toll Free: 1 866 392-5446
www.centrallhin.on.ca

Central **LHIN**

Management's Responsibility for the Financial Statements

May 31, 2011

The management of the Central Local Health Integration Network is responsible for the preparation and for the integrity and objectivity of the accompanying financial statements and the notes thereto. Management believes that the financial statements present fairly the Central Local Health Integration Network's financial position as at March 31, 2011 and the statements of financial operations, changes in net debt, and cash flows for the year then ended.

The financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) requirements.

In fulfilling its responsibilities and recognizing the limits inherent in all systems, management has developed and maintains a system of internal control designed to provide reasonable assurance that Central Local Health Integration Network's assets are safeguarded from loss and that the accounting records are a reliable basis for the preparation of financial statements.

The Board of Directors carries out its responsibility for review of the financial statements through its Audit Committee. This committee meets with management and with external auditors to discuss the results of audit examinations and financial reporting matters. The external auditors have full access to the Audit Committee with and without the presence of the management. The Board of Directors of the Central Local Health Integration Network has approved the financial statements.

The financial statements for the year ended March 31, 2011 have been audited and reported on by Deloitte and Touche LLP, independent external auditors appointed by the Board of Directors.

Kim Baker
Chief Executive Officer

Karin Dschankilic
Senior Director, Performance, Contracts and Allocations

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central Local Health Integration Network

We have audited the accompanying financial statements of the Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of operations, change in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2011, and the results of its operations, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 30, 2011

Central Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**774,718**	659,837
Due from Ministry of Health and Long-Term Care ("MOHLTC")	**5,048,235**	3,103,069
Due from LHIN Shared Services Office (Note 4)	**-**	3,643
Accounts receivable	**25,974**	66,633
	5,848,927	3,833,182
Liabilities		
Accounts payable and accrued liabilities	**490,967**	679,922
Due to Health Service Providers ("HSPs")	**5,048,235**	3,103,069
Due to Ministry of Health and Long-Term Care ("MOHLTC") (Note 3)	**349,029**	381
Due to the LHIN Shared Services Office (Note 4)	**2,152**	-
Deferred revenue	**-**	54,042
Deferred capital contributions (Note 5)	**203,312**	205,188
	6,093,695	4,042,602
Commitments (Note 6)		
Net debt	**(244,768)**	(209,420)
Non-financial assets		
Prepaid Expenses	**41,456**	4,232
Capital assets (Note 7)	**203,312**	205,188
	244,768	209,420
Accumulated surplus	**-**	-

Approved by the Board

Ken Morrison

_______________________ Director

_______________________ Director

Central Local Health Integration Network

Statement of operations
year ended March 31, 2011

	2011		2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,663,394,018	1,760,411,514	1,671,803,309
Operations of LHIN	4,344,422	4,288,477	4,270,119
Emergency Room/Alternative Level of Care ("ER - ALC") Funding (Note 10a)	100,000	100,000	100,000
Aging at Home Funding (Note 10b)	-	-	300,000
Aboriginal Initiative (Note 10c)	10,000	127	30,000
Vaughan Hospital Study (Note 10d)	-	-	215,000
Emergency Department Lead (Note 10e)	75,000	54,000	75,000
Diabetes Strategy (Note 10f)	-	-	25,000
French Language Services (Note 10g)	54,042	40,631	11,958
French Language Health Services (Note 10h)	-	18,459	-
Critical Care Lead (Note 10i)	-	72,750	-
E-Health Ontario funding (Note 10j)	600,000	294,090	600,000
Amortization of deferred capital contributions (Note 5)	231,116	123,021	194,528
	1,668,808,598	1,765,403,069	1,677,624,914
Expenses			
Transfer payments to HSPs (Note 9)	1,663,394,018	1,760,411,514	1,671,803,309
Operations			
General and administrative (Note 11)	4,344,422	4,288,477	4,270,119
ER - ALC funding (Note 10a)	100,000	100,000	100,000
Aging at Home Funding (Note 10b)	-	-	300,000
Aboriginal Initiative (Note 10c)	10,000	127	30,000
Vaughan Hospital Study (Note 10d)	-	-	215,000
Emergency Department Lead (Note 10e)	75,000	54,000	75,000
Diabetes Strategy (Note 10f)	-	-	25,000
French Language Services (Note 10g)	54,042	40,631	11,958
French Language Health Services (Note 10h)	-	18,459	-
Critical Care Lead (Note 10i)	-	72,750	-
E-Health (Note 10j)	600,000	294,090	600,000
Amortization of capital assets	231,116	123,021	194,528
	1,668,808,598	1,765,403,069	1,677,624,914
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	Budget (unaudited) (Note 8)	2011	2010
		$	$
Annual surplus			-
Acquisition of capital assets	85,000	121,145	73,922
Amortization of capital assets	(231,116)	(123,021)	(194,527)
Change in other non-financial assets	-	37,224	4,232
Decrease in net debt	(146,116)	35,348	(116,373)
Opening net debt	209,420	209,420	325,793
Closing net debt	63,304	244,768	209,420

Central Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(123,021)	(194,527)
Amortization of deferred capital contributions (Note 5)	123,021	194,527
	-	-
Changes in non-cash operating items		
Increase (Decrease) in due from MOHLTC	(1,945,166)	2,878,050
Decrease in accounts receivable	40,659	31,837
(Decrease) in accounts payable and accrued liabilities	(188,955)	(3,132)
Increase in due to the MOHLTC	348,648	381
Increase (Decrease) in due to HSPs	1,945,166	(2,878,050)
Increase in due to the LHIN Shared Services Office	2,152	(24,792)
Decrease in due from LHIN Shared Services Office	3,643	-
(Decrease) Increase in deferred revenue	(54,042)	54,042
(Increase) in prepaid expenses	(37,224)	(4,232)
	114,881	54,104
Capital transactions		
Acquisition of capital assets	(121,145)	(73,922)
Financing transactions		
Deferred capital contributions received (Note 5)	121,145	73,922
Net increase in cash	114,881	54,104
Cash, beginning of year	659,837	605,733
Cash, end of year	774,718	659,837

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers have flowed through the LHIN's financial statements. Throughout the years, funding payments authorized by the LHIN to Health Service Providers, are recorded in the LHIN's Financial Statements as revenue from the MOHLTC and as transfer payment expenses to Health Service Providers.

The mandate of the LHIN is to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers most of North York, York Region and South Simcoe. The LHIN enters into service accountability agreements with health service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues and expenses in the fiscal year that the events giving rise to the revenues or expenses occur, and the revenues and expenses are earned or incurred and measurable. Through the accrual basis of accounting expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budgetary arrangements established by the MOHLTC. The Financial Statements reflect funding arrangements approved by the MOHLTC. The LHIN cannot authorize payments in excess of the budgetary allocation set by the MOHLTC. Due to the nature of the MLAA, the LHIN is economically dependent on the MOHLTC.

Effective April 1, 2007, the LHIN assumed responsibility to authorize transfer payments to Health Service Providers. The transfer payment amounts are based on the terms of the Health Service Provider Accountability Agreements with the LHIN, including any amendments made throughout the year. During the year, the LHIN authorizes the transfer of cash to the Health Service Providers. The cash associated with the transfer payment flows directly from the MOHLTC and does not flow through the LHIN bank account.

The LHIN Financial Statements do not include any MOHLTC managed programs, under which the Health Service Provider is directly accountable to the MOHLTC.

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfers

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the transfer is authorized and all eligibility criteria have been met, except when and to the extent that the transfer gives rise to an obligation and a liability is recorded.

Transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work.

Deferred capital contributions

Amounts received that are used to fund capital asset purchases are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset. The amount recorded as revenue in the Statement of Financial Activities is consistent with the amortization expense of the related capital asset.

Capital assets

Capital assets are recorded at cost. Cost includes the purchase price of the asset and other acquisition costs such as design, construction, and duties. Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method

Use of estimates

The preparation of Financial Statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Revenue has only been recognized to the extent that eligible expenditures have been incurred. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

Funding repayable to the MOHLTC is as follows:

			2011	2010
	Funding received	Revenue recognized	Repayable	Repayable
	$	$	$	$
Transfer payments to HSPs	1,760,411,514	1,760,411,514	-	-
LHIN operations	4,411,498	4,411,498	-	1,977
Special Program Funding	929,086	580,057	349,029	(1,596)
	1,765,752,098	1,765,403,069	349,029	381

4. Related party transactions

In accordance with the Memorandum of Understanding between the MOHLTC and the LHIN, LHINs are required to centrally source and share services for Legal Services, Audit Services, HR Services, IM & IT Infrastructure Development and Management and Management of Recorded Information. The LHINS accordingly formed the LHIN Shared Services Office ("LSSO") as a division of the Toronto Central LHIN. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LSSO operating costs overpaid (or under paid) by the LHIN at year end is recorded as a receivable (payable) from (to) the LSSO.

The LHIN Collaborative (LHINC) was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The cost of providing these services is allocated and charged to the LHINs. Any portion of the LHINC operating costs overpaid (or under paid) by the LHINs at year end, is recorded as a receivable (payable) from (to) the LHINC.

During the year, the LHIN made payments to LSSO and LHINC of $409,523 (2010 - $375,000).

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	205,188	325,793
Capital contributions received during the year	121,145	73,922
Amortization for the year	(123,021)	(194,527)
Balance, end of year	203,312	205,188

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

6. Commitments

The LHIN has commitments under various operating leases as follows:

	Office space	Equipment	Total
	$	$	$
2012	163,569	7,633	171,202
2013	244,135	7,633	251,768
2014	260,891	7,633	268,524
2015	277,983	-	277,983
2016 & After	320,137	-	320,137

The LHIN enters into accountability agreements with Health Service Providers which include planned funding targets. The actual funding provided by the LHIN is contingent on the MOHLTC providing the funding.

7. Capital assets

			2011	2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	$	$	$
Office furniture and fixtures	**323,386**	**224,398**	**98,988**	78,744
Computer equipment	**124,229**	**69,655**	**54,574**	61,261
Leasehold improvements	**556,518**	**506,768**	**49,750**	65,183
	1,004,133	**800,821**	**203,312**	205,188

8. Budget figures

Budget amounts have been reported in the Statement of Financial Operations to comply with PSAB reporting requirements and reflect the initial budget at April 1, 2010. The budgets were approved by the Government of Ontario.

	$
LHIN total budget	1,668,808,598
Less Health Service Provider Budget (a)	(1,663,394,018)
LHIN Operating Budget (b)	5,414,580

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Budget figures (continued)

a) Health Service Provider Budget

	$
Initial HSP Budget	1,663,394,018
Adjustments due to announcements made during the year	97,017,496
	1,760,411,514

The total budget by sector is as follows:	
Hospitals	1,106,535,927
Long Term Care Homes	296,523,547
Community Care Access Centres	214,073,634
Community Support Services	69,137,969
Community Health Centres	7,666,837
Community Mental Health & Addictions	66,473,600
Total budget	1,760,411,514

b) LHIN Operating Budget

	$
Initial budget as reported on the Statement of Operations	5,414,580
Additional funding received in-year:	
Funding for capital asset purchased transferred to deferred capital contributions	(85,000)
Closing budget	5,329,580

9. Transfer payments to Health Service Providers

The LHIN authorized transfer payments of $1,760,411,514 (2010 - $1,671,803,309) to the following sectors:

	2011	2010
	$	$
Hospitals	**1,106,535,927**	1,051,901,703
Long Term Care Homes	**296,523,547**	281,643,069
Community Care Access Centres	**214,073,634**	203,474,565
Community Support Services	**69,137,969**	65,335,469
Community Health Centres	**7,666,837**	7,105,587
Community Mental Health & Addictions	**66,473,600**	62,342,916
	1,760,411,514	1,671,803,309

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. a) **Emergency Response - Alternate Level of Care (ER-ALC)**

The LHIN received funding of $100,000 (2010 - $100,000) for the Emergency Response – Alternate Level of Care project. The following are the expense details:

	2011	2010
	$	$
Salaries and benefits	**97,646**	85,431
Accommodation and administration	**895**	11,005
Supplies and other	**1,459**	3,564
	100,000	100,000

b) **Aging at Home**

The LHIN received one time funding of nil (2010 - $300,000) for the Aging at Home project.

c) **Aboriginal initiative**

The LHIN received net funding of $7,000 (2010 - $30,000) related to the Aboriginal Planning initiative. Expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	**-**	28,526
Accommodation and administration	**74**	-
Supplies and other	**53**	1,474
	127	30,000

d) **Vaughan Hospital study**

The LHIN received one time funding of nil (2010 - $215,000) for the Vaughan Hospital Study.

e) **Emergency department (ED) lead project**

The LHIN received funding of $75,000 (2010 - $75,000) related to the ED Lead project. ED Lead project expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	**-**	15,000
Consulting services	**54,000**	60,000
	54,000	75,000

f) **Diabetes strategy**

The LHIN received one time funding of nil (2010 - $25,000) to support service expansion for the diabetes strategy.

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. (continued)

g) French Language Services

The LHIN received one time funding in 2010 of $52,589 to support Francophone community engagement activities. $11,958 had already been spent in fiscal year 2010 with the remaining balance spent in fiscal year 2011. Expenses incurred during the year are as follows:

	2011	2010
	$	$
Public relations	39,680	9,473
Accommodation and administration	951	
Consulting services	-	2,485
	40,631	11,958

h) French Language Health Services

The LHIN received funding of $31,455 (2010 - $Nil) to support the implementation of French Language Health Services. Expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	17,695	-
Accommodation and administration	764	-
	18,459	-

i) Critical Care LHIN Lead

The LHIN received one time funding of $75,000 (2010 - $Nil) to support Critical Care LHIN Lead. Expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	72,750	-
	72,750	-

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. (continued)

j) E-health

The LHIN received funding of $ 600,000 (2010 - $600,000) from eHealth Ontario specifically related to the e-health projects. E-health expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	272,591	484,929
Consulting services	-	55,761
Accommodation and administration	17,172	52,950
Supplies and other	4,327	6,360
	294,090	600,000

11. General and administrative expenses

The Statement of Operations presents the expenses by function. The following table classifies the general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	3,159,718	2,967,561
Occupancy	242,485	196,643
Shared services	409,523	375,000
Public relations	104,408	63,984
Consulting services	53,798	224,282
Supplies	43,871	56,601
Board expenses (see below)	142,069	190,032
Mail, courier and telecommunications	37,939	49,925
Other	94,666	146,091
	4,288,477	4,270,119

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	2011 budget	2011	2010
	$	$	$
Board Chair per diem expense	48,000	41,725	47,775
Other Board members per diem expense	79,000	47,445	78,750
Governance costs and travel	63,700	52,899	63,507
	190,700	142,069	190,032

Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 23 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $243,135 (2010 - $228,911) for current service costs and is included as an expense in the Statement of Financial Operations. The last actuarial valuation was completed for the plan as of December 31, 2010. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative figures

Certain comparative numbers have been changed to conform to the current year presentation.

Central East **LHIN**

Harwood Plaza, 314 Harwood Ave. South,
Suite 204A Ajax, ON, L1S 2J1
Tel 905 427-5497 • Fax 905 427-9659
www.centraleastlhin.on.ca

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the Central East Local Health Integration Network ("the LHIN") is the responsibility of management. These financial statements have been prepared by management in compliance with legislation and in accordance with Canadian Generally Accepted Accounting Principles and, where appropriate, include amounts based on management's best estimates and judgments.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.

Deborah Hammons
Chief Executive Officer

Marco Aguila
Manager of Corporate Services

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central East Local Health Integration Network

We have audited the accompanying financial statements of the Central East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2011, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 25, 2011

Central East Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,008,629**	536,038
Due from Ministry of Health and Long Term Care ("MOHLTC")	**13,911,183**	1,533,500
Accounts receivable	**37,840**	1,192,464
	14,957,652	3,262,002
Liabilities		
Accounts payable and accrued liabilities	**531,482**	1,423,365
Due to Health Service Providers ("HSP")	**13,911,183**	1,533,500
Due to MOHLTC (Note 3b)	**541,295**	354,269
Deferred capital contributions (Note 5)	**315,287**	369,310
	15,299,247	3,680,444
Commitments (Note 6)		
Net debt	**(341,595)**	(418,442)
Non-financial assets		
Prepaid expenses	**26,308**	49,132
Capital assets (Note 7)	**315,287**	369,310
	341,595	418,442
Accumulated surplus	**-**	-

Approved by the board

_______________ Director

_______________ Director

Central East Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

		2011	2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
Ministry of Health and Long Term Care ("MOHLTC") funding			
Health Service Provider ("HSP") transfer payments (Note 9)	1,947,201,383	2,042,808,997	1,923,766,995
Operations of LHIN	4,772,730	4,659,791	4,452,752
Emergency Department ("ED") Lead (Note 10a)	75,000	75,000	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") (Note 10b)	100,000	100,000	100,000
Aboriginal Planning (Note 10c)	20,000	20,000	20,000
e-Health (Note 10d)	632,000	632,000	1,885,000
Critical Care	75,000	75,000	-
French Language Services	110,000	170,116	113,584
Aboriginal Health Transition Funding carry-over 2009-10	-	47,202	3,798
Self Management Program	-	-	35,000
Diabetes Strategy	-	-	20,000
Amortization of deferred capital contributions (Note 5)		166,962	260,893
	1,952,986,113	2,048,755,068	1,930,733,022
Expenses			
Transfer payments to HSPs (Note 9)	1,947,201,383	2,042,808,997	1,923,766,995
General and administrative (Note 11)	4,772,730	4,748,677	4,664,979
ED Lead (Note 10a)	75,000	69,290	75,000
ER/ALC (Note 10b)	100,000	96,714	100,000
Aboriginal Planning (Note 10c)	20,000	-	20,000
e-Health (Note 10d)	632,000	356,450	1,707,447
Critical Care	75,000	72,000	-
French Language Services	110,000	51,665	13,584
Aboriginal Health Transition Funding carry-over 2009-10		9,980	3,798
Self Management Program		-	35,000
Diabetes Strategy		-	20,000
Resident's First program		-	900
	1,952,986,113	2,048,213,773	1,930,407,703
Annual surplus before funding repayable to the MOHLTC	-	541,295	325,319
Funding repayable to the MOHLTC (Note 3a)		(541,295)	(325,319)
Annual surplus	-	-	-
Opening accumulated surplus			-
Closing accumulated surplus	-	-	-

Central East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	Budget (unaudited) (Note 8)	2011	2010
		$	$
Annual surplus	-	-	-
Acquisition of tangible capital assets	-	**(112,939)**	(249,478)
Amortization of tangible capital assets	-	**166,962**	260,893
Change in other non-financial assets	-	**22,824**	(37,803)
Increase in net debt		**76,847**	(26,388)
Opening net debt	-	**(418,442)**	(392,054)
Closing net debt	-	**(341,595)**	(418,442)

Central East Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus		-
Less items not affecting cash		
Amortization of capital assets	166,962	260,893
Amortization of deferred capital contributions (Note 5)	(166,962)	(260,893)
	-	-
Changes in non-cash operating items		
(Increase) decrease in due from MOHLTC	(12,377,683)	(48,200)
Decrease in accounts receivable	1,154,624	(1,186,277)
Increase in accounts payable and accrued liabilities	(891,883)	193,068
Increase (decrease) in due to HSPs	12,377,683	48,200
Increase (decrease) in due to the MOHLTC	187,026	325,319
(Increase) decrease in prepaid expenditures	22,824	(37,803)
Decrease (increase) in due to the LHIN Shared Services Office	-	(7,546)
	472,591	(713,239)
Capital investments		
Acquisition of tangible capital assets	(112,939)	(249,478)
Financing transactions		
Capital contributions received (Note 5)	112,939	249,478
Net decrease in cash	472,591	(713,239)
Cash, beginning of year	536,038	1,249,277
Cash, end of year	1,008,629	536,038

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Central East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2009.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The Central East LHIN is a mix of urban and rural geography and is the sixth-largest LHIN in land area in Ontario (16,673 km2). In densely populated urban cities, suburban towns, rural farm communities, cottage country villages and remote settlements, the Central East LHIN stretches from Victoria Park to Algonquin Park. The neighbourhoods in our planning zones boast a rich diversity of community values, ethnicity, language and socio-demographic characteristics.

The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible capital assets.

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. **Significant accounting policies (continued)**

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any excess of funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2011	2010
	Revenue	Expenses	Surplus	Surplus
	$	$	$	$
Transfer payments to HSPs	2,042,808,997	2,042,808,997	-	-
LHIN operations	4,826,753	4,748,677	78,076	48,666
Aging at Home			-	-
ER/ALC	100,000	96,714	3,286	-
ED/Lead	75,000	69,290	5,710	-
Critical Care	75,000	72.000	3,000	-
E-Health	632,000	356,450	275,550	177,553
Aboriginal Planning	20,000	-	20,000	-
French Language Services	170,116	51,665	118,451	100,000
Aboriginal Health Transition Funding Carryover	47,202	9,980	37,222	-
Resident's First			-	(900)
	2,048,755,069	2,048,213,773	541,295	325,319

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	354,269	28,950
Recovery by MOHLTC during the year	(354,269)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	541,295	325,319
Due to MOHLTC, end of year	541,295	354,269

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	369,310	380,725
Capital contributions received during the year	112,939	249,478
Amortization for the year	(166,962)	(260,893)
Balance, end of year	315,287	369,310

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due to 2016 are as follows:

	$
2012	238,373
2013	236,537
2014	232,949
2015	228,331
2016	133,193
	1,069,383

Central East Local Health Integration Network

Notes to the financial statements

March 31, 2011

6. Commitments (continued)

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs based on the current accountability agreements are as follows:

	$
2012	2,008,452,427
2013	2,008,379,827

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Office furniture and fixtures	452,180	370,494	81,686	100,032
Computer equipment	258,765	190,628	68,137	46,310
Web development	36,100	36,100	-	-
Leasehold improvements	668,028	502,564	165,464	222,968
	1,415,073	1,099,786	315,287	369,310

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2009. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of $2,042,808,997 is made up of the following:

	$
Initial HSP funding budget	1,947,201,383
Adjustment due to announcements made during the year	95,607,614
Total HSP funding budget	2,042,808,997

The total revised operating budget of $5,784,730 is made up of the following:

	$
Initial budget as represented on the statement of financial activities	4,772,730
Additional funding received during the year for:	
ER/ALC	100,000
ED/Lead	75,000
Critical Care	75,000
E-Health	632,000
Aboriginal Planning	20,000
French Language Services	110,000
Total budget	5,784,730

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of $2,042,808,997 (2010 - $1,923,766,995) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2011 as follows:

	2011	2010
	$	$
Health Infrastructure Renewal Fund	3,271,065	
Operation of hospitals	1,206,183,380	1,124,792,403
Grants to compensate for municipal taxation - public hospitals	286,275	294,975
Long term care homes	387,840,154	368,756,047
Community care access centres	217,505,556	208,746,653
Community support services	29,881,514	28,341,071
Assisted living services in supportive housing	13,675,055	13,024,039
Community health centres	19,816,160	20,015,681
Community mental health addictions program	54,169,878	52,902,577
Specialty psychiatric hospitals	108,726,800	105,624,200
Acquired brain injury	1,428,560	1,245,349
Grants to compensate for municipal taxation - psychiatric hospitals	24,600	24,000
	2,042,808,997	1,923,766,995

10. a) ED Lead

The LHIN received funding of 75,000 (2010 - $75,000) related to the ED Lead project. ED Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	69,290	63,866
Salaries and benefits	-	-
Other	-	11,134
	69,290	75,000

b) ER/ALC

The LHIN received funding of $100,000 (2010 - $100,000) related to the ER/ALC project. ER/ALC expenses incurred during the year consist of $ 96,714 (2010 - $91,983) of salaries & benefits and $nil (2010 - $8,017) of other expenses.

c) Aboriginal Planning

The LHIN received funding of $20,000 (2010 - $20,000) related to the Aboriginal Planning project. Aboriginal Planning project expenses incurred during the year consist of $ nil (2010 - $ nil) of consulting fees and $ nil (2010 - $20,000) of other expenses.

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. d) E-Health

The LHIN received funding of $632,000 (2010 - $1,885,000) related to the E-Health project. E-Health project expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	**19,301**	1,192,071
Salaries and benefits	**308,718**	261,421
Meetings		65,673
Supplies and other	**28,431**	188,282
	356,450	1,707,447

e) Critical Care

The LHIN received funding of $75,000 (2010 - $nil) related to the Critical Care project. Critical Care project expenses incurred during the year consist of $72,000 (2010 - $nil).

f) French Language Services

The LHIN received funding of $170,116 (2010 - $113,584) related to the French Language project. French Language project expenses incurred during the year consist of $51,665 of salaries and benefits (2010 - $13,584).

g) Aboriginal Health Transition Funding

The LHIN received funding of $47,202 (2010 - $3,798) related to the Aboriginal Health Transition Funding project. Aboriginal Health Transition Funding project expenses incurred during the year consist of $9,980 of meeting expenses (2010 - $3,798).

h) Self Management

The LHIN received funding of $nil (2010 - $35,000) related to the Self Management project. Self Management project expenses incurred during the year consist of $nil (2010 - $35,000).

i) Diabetes

The LHIN received funding of $nil (2010 - $20,000) related to the Diabetes project. Diabetes project expenses incurred during the year consist of $nil (2010 - $20,000).

11. General and administrative expenses

The Statement of financial activities presents the expenses by function; the following classifies these same expenses by object:

	2011	2010
	$	$
Salaries and benefits	**3,328,839**	3,212,777
Occupancy	**382,055**	212,745
Amortization	**166,962**	260,893
Shared services	**409,495**	378,919
Community engagement	**73,075**	153,588
Consulting services	**71,891**	113,457
Supplies	**106,584**	118,424
Board member expenses	**120,625**	107,901
Mail, courier and telecommunications	**1,670**	3,154
Other	**87,481**	103,121
	4,748,677	4,664,979

Central East Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. General and administrative expenses (continued)

Included in general and administrative expenses are board per diems and expenses as follows:

	2011 Budget	2011	2010
	$	$	$
Board chair per diem expense	50,000	41,300	50,750
Other board members per diem expense	100,000	58,947	50,279
CRA accrual historical expense		(12,729)	(30,463)
Governance costs and travel	70,000	33,106	37,335
Total expenses	220,000	120,625	107,901

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 28 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $ 258,290 (2010 - $251,562) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation of the plan was completed for the plan as of December 31, 2010. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

14. Comparative Figures

Certain comparative figures have changed to conform to the current year presentation.

8 Nelson Street West, Suite 300
Brampton, ON L6X 4J2
Tel: 905 455-1281
Toll Free: 1 866 370-5446
Fax: 905 455-0427
www.centralwestlhin.on.ca

8, rue Nelson Ouest, bureau 300
Brampton, ON L6X 4J2
Téléphone : 905 455-1281
Sans frais : 1 866 370-5446
Télécopieur : 905 455-0427
www.rlisscentre-ouest.on.ca

Central West Local Health Integration Network (Central West LHIN)

Management Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in the Annual Report. The financial statements have been prepared by Management in accordance with Canadian generally accepted accounting principles and, where appropriate, include amounts based on Management's best estimates and judgment. Management is responsible for the integrity and objectivity of these financial statements. The financial information presented elsewhere in this Annual Report is consistent with that in the financial statements in all material respects.

The Central West Local Health Integration Network is dedicated to the highest standards of integrity in its business. To safeguard the Central West LHIN'S assets and assure the reliability of financial information, the Central West LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The Board of Directors ensures that Management fulfills its responsibilities for financial information and internal controls. The financial statements have been reviewed by the Central West LHIN Board Audit Committee and approved by the Board of Directors.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an examination of the financial statements in accordance with Canadian generally accepted auditing standards and have expressed their opinion on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Mimi Lowi-Young,
Chief Executive Officer

Brock Hovey
Senior Director, Performance Contract and Allocation

Jun 15, 2011

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Central West Local Health Integration Network

We have audited the accompanying financial statements of Central West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Central West Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 25, 2011

Central West Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	977,784	932,648
Accounts receivable		
Ministry of Health and Long-Term Care ("MOHLTC") - Health Service Providers ("HSP")	857,535	1,701,807
MOHLTC other	-	113,501
Other	95,258	16,800
	1,930,577	2,764,756
Liabilities		
Accounts payable and accrued liabilities	461,931	900,812
Due to MOHLTC (Note 3b)	641,291	178,786
Due to HSP	857,535	1,701,807
Due to the LHIN Shared Services Office (Note 4)	8,469	1,316
Deferred capital contributions (Note 5)	188,537	85,021
	2,157,763	2,867,742
Commitments (Note 6)		
Net debt	(227,186)	(102,986)
Non-financial assets		
Prepaid expenses	38,649	17,965
Capital assets (Note 7)	188,537	85,021
	227,186	102,986
Accumulated surplus	-	-

Approved by the Board

_________________________ Director

T.P. Miller

_________________________ Director

Central West Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (Unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
Health Service Provider ("HSP") transfer payments (Note 9a)	733,300,111	759,377,113	727,403,702
Health Infrastructure Renewal Fund (HIRF) (Note 9b)	-	1,020,195	1,074,261
Operations of LHIN	4,465,150	4,234,790	4,336,828
e-Health (Note 10a)	-	600,000	600,000
e-Health Infrastructure Blueprint (Note 10b)	-	175,000	20,000
e-Health Physician-Patient Portal (note 10b)	-	-	30,000
e-Health Privacy (note 10b)	-	157,000	25,000
e-Health Communications (Note 10b)	-	-	3,500
e-Health Oversight Development (Note 10b)	-	50,000	-
French Language Services (note 10c)	-	64,762	160,400
ER/ALC Performance Lead (Note 10d)	-	100,000	100,000
Emergency Department Lead (Note 10e)	-	75,000	65,000
Aboriginal Health (Note 10f)	7,500	7,500	7,250
Aboriginal Health Transition Fund (Note 10g)	-	-	51,000
Diabetes Self Management Note 10h)	- -	-	35,000
Critical Care Lead (Note 10i)	-	75,000	-
Amortization of deferred capital contributions (Note 5)	-	63,622	157,559
	737,772,761	765,999,982	734,069,500
Expenses			
Transfer payments to HSPs (Note 9a)	733,300,111	759,377,113	727,403,702
Transfer payments to HSPs (HIRF) (Note 9b)	-	1,020,195	1,074,261
General and administrative (Note 11)	4,465,150	4,173,327	4,527,733
e-Health (Note 10a)	-	394,063	600,000
e-Health Physician-Patient Portal (Note 10b)	-	45,448	-
e-Health Privacy (Note 10b)	-	34,122	-
French Language Services (note 10c)	-	64,762	132,000
ER/ALC Performance Lead (Note 10d)	-	100,000	100,000
Emergency Department Lead (Note 10e)	-	70,161	64,444
Aboriginal Health (Note 10f)	7,500	7,500	1,056
Aboriginal Health Transition Fund (Note 10g)	-	-	51,000
Critical Care Lead (Note 10i)	-	72,000	-
	737,772,761	765,358,691	733,954,196
Annual surplus before funding repayable to the MOHLTC	-	641,291	115,304
Funding repayable to the MOHLTC (Note 3a)	-	(641,291)	(115,304)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Central West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	2011	2010
	$	$
Annual surplus	-	-
Acquisition of capital assets	(167,138)	(57,895)
Amortization of capital assets	63,622	157,557
Change in other non-financial assets	(20,684)	(16,137)
(Increase) decrease in net debt	(124,200)	83,525
Opening net debt	(102,986)	(186,511)
Closing net debt	(227,186)	(102,986)

Central West Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	(63,622)	(157,557)
Amortization of deferred capital contributions (Note 5)	63,622	157,557
Changes in non-cash operating items		
Decrease (increase) in accounts receivable - MOHLTC	957,773	(1,230,108)
Increase in due to the MOHLTC	462,505	115,304
(Decrease) increase in due to HSP's	(844,272)	1,116,607
Increase in accounts receivable - Other	(78,458)	(16,800)
Increase in prepaid expenses	(20,684)	(16,137)
Decrease in accounts payable	(438,881)	(83,092)
Increase (decrease) in due to the LHIN Shared Services Office	7,153	(14,784)
	45,136	(129,010)
Capital transaction		
Acquisition of capital assets	(167,138)	(57,895)
Financing transaction		
Increase in deferred capital contributions (Note 5)	167,138	57,895
Net increase (decrease) in cash	45,136	(129,010)
Cash, beginning of year	932,648	1,061,658
Cash, end of year	977,784	932,648

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The Central West Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Central West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Dufferin County, the northern portion of Peel Region, part of York Region, and a small part of the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable, expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2011	2010
	Revenue	Expenses	Surplus	Surplus
	$	$	$	$
Transfer Payments to HSP's	759,377,113	759,377,113	-	-
Health Infrastructure Renewal Fund (HIRF)	1,020,195	1,020,195	-	-
LHIN Operations (Note 11)	4,234,790	4,109,705	125,085	(33,346)
Capital contribution (Note 11)	63,622	63,622	-	-
e-Health (Note 10a))	600,000	394,063	205,937	-
e-Health Infrastructure Blueprint (Note 10b))	175,000	-	175,000	20,000
e-Health Physician-Patient Portal (Note 10b))	-	45,448	(45,448)	30,000
e-Health Privacy (Note 10b))	157,000	34,122	122,878	25,000
e-Health Communications (Note 10b))	-	-	-	3,500
e-Health Oversight Development (Note 10b))	50,000	-	50,000	
French Language Services (Note 10c))	64,762	64,762	-	28,400
ER/ALC Performance Lead (Note 10d))	100,000	100,000	-	-
Emergency Department Lead (Note 10e))	75,000	70,161	4,839	556
Aboriginal Health (Note 10f))	7,500	7,500	-	6,194
Aboriginal Health Transition Fund (Note 10g))	-	-	-	-
Diabetes Self Management (Note 10h))	-	-	-	35,000
Critical Care Lead (Note 10i))	75,000	72,000	3,000	-
	765,999,982	765,358,691	641,291	115,304

b. The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	178,786	63,482
Funding repaid to MOHLTC prior year	(169,882)	-
Adjustment to prior years initiatives and operations	(8,904)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	641,291	115,304
Due to MOHLTC, end of year	641,291	178,786

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

5. **Deferred capital contributions**

	2011	2010
	$	$
Balance, beginning of year	**85,021**	184,683
Capital contributions received during the year	**167,138**	57,895
Amortization for the year	**(63,622)**	(157,557)
Balance, end of year	**188,537**	85,021

6. **Commitments**

The LHIN has commitments under various operating leases related to building and equipment ending in 2015. Lease renewals are likely. Minimum lease payments due in each of the next four years are as follows:

	$
2012	227,615
2013	225,779
2014	220,835
2015	92,014

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2010. Minimum funding for HSPs related to the next two years, based on the fiscal 2011 accountability agreements, and are as follows:

	$
2012	747,378,850
2013	747,378,850

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. **Capital assets**

			2011	2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	$	$	$
Office furniture and fixtures	**284,229**	**239,819**	**44,410**	51,650
Computer equipment	**34,426**	**34,426**	**-**	4,317
Leasehold improvements	**696,788**	**552,661**	**144,127**	29,054
	1,015,443	**826,906**	**188,537**	85,021

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the final budget at June 30, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of $760,505,320 is made up of the following:

	$
Initial HSP funding budget	733,300,111
Adjustment due to announcements made during the year	27,205,209
Total HSP funding budget	760,505,320

The $1,128,207 difference between the final budget of **$760,505,320** and the actual expenses of **$759,377,113** relates to unanticipated delays in implementation of new initiatives.

The total HIRF funding budget of $1,020,195 is made up of the following:

	$
Initial HIRF funding budget	-
Adjustment due to announcements made during the year	1,020,195
Total HIRF funding budget	1,020,195

The total operating budget, excluding HSP funding, is made up of the following:

	$
Initial budget	4,400,050
Stabilization funding	65,100
Aboriginal Funding	7,500
Adjustment due to announcements made during the year	
E-Health PMO	600,000
E-Health Blueprint	175,000
E-Health Oversight Development	50,000
E-Health Privacy	157,000
French Language Services	110,000
French Language Services Surplus returned to MOHLTC	(45,238)
ER/ALC Performance Lead	100,000
ED LHIN Lead	75,000
Critical Care Lead	75,000
Amount treated as capital contributions made during the year	(167,138)
Total budget	5,602,274

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. a) **Transfer payments to HSPs**

The LHIN approved transfer payments to the various sectors in 2011 as follows:

	2011	2010
	$	$
Operation of Hospitals	**482,506,910**	465,785,181
Grants to compensate for Municipal Taxation - Public Hospitals	**99,450**	99,450
Long-Term Care Homes	**140,517,555**	136,059,183
Community Care Access Centres	**81,483,492**	77,593,209
Community Support Services	**8,788,645**	6,668,770
Assisted Living Services in Supportive Housing	**5,445,343**	4,854,656
Community Health Centres	**7,241,947**	5,695,761
Community Mental Health Addictions Program	**33,293,771**	30,647,492
	759,377,113	727,403,702

b) **Health Infrastructure Renewal Fund (HIRF)**

The LHIN has authorized to allocate funding of $1,020,195 (2010 - $1,074,261) to support public hospital infrastructure renewal projects that are minor capital in nature.

10. a) **e-Health**

The LHIN received funding of $600,000 (2010 - $600,000) related to supporting the E-Health projects. E-Health expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	**395,846**	322,496
Staff travel	**1,784**	422
Communication expense	**2,178**	1,652
Recruitment fees	**-**	2,500
Local Health HSP Getting Ready Project	**50,806**	-
Consulting	**61,540**	197,297
Computer equipment	**-**	20,062
Computer software	**-**	52,982
Office supplies	**-**	1,328
Staff development	**6,482**	549
Meeting expenses	**427**	712
Funding returned from William Osler Meditech project	**(125,000)**	-
	394,063	600,000

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. (continued)

b) e-Health Projects

The LHIN received funding of $382,000 (2010 - $78,500) related for specific technology initiatives as listed below. Consulting expenses of $34,122 were incurred for the e-Health Privacy project while Salaries & Benefits of $45,448 were incurred for the Physician-Patient Portal. The revenue for the Physician-Patient Portal project was received by the Mississauga Halton LHIN however, Central West LHIN oversaw the project and therefore, the costs.

	2011			2010
	Revenue	**Expense**	**Surplus/ (deficit)**	
	$	**$**	**$**	$
e-Health Infrastructure Blueprint	**175,000**	**-**	**175,000**	20,000
e-Health Oversight Development	**50,000**	**-**	**50,000**	-
e-Health Physician-Patient Portal	**-**	**45,448**	**(45,448)**	30,000
eHealth Privacy	**157,000**	**34,122**	**122,878**	25,000
e-Health Communications	**-**	**-**	**-**	3,500
	382,000	**79,570**	**302,430**	78,500

c) French Language Services

The LHIN received base funding of $106,000 and one time funding of $4,000 (2010 - $160,400). This was reduced by the Q3 surplus forecast for net revenue of $64,762 (funding of $110,000 less recovery of $45,238) related to the French Language Services initiative. Expenses incurred during the year consist of $64,762 (2010 - $132,000) consisting Salary and Benefits of $64,762 for the French Language Coordinator.

d) ER/ALC Performance Lead

The LHIN received funding of $100,000 (2010 - $100,000) related to the ER/ALC Performance Lead initiative. ER/ALC expenses incurred during the year of $100,000 (2010 - $100,000) related to salaries and benefits.

e) Emergency Department Lead

The LHIN received funding of $75,000 (2010 - $65,000) related to the Emergency Department Lead project. Emergency Department Lead expenses incurred during the year consist of $69,000 (2010 - $60,526) for consulting fees as well as $1,161 (2010 - $3,918) related to development and travel expenses for a total of $70,161 (2010 - $64,444).

f) Aboriginal Health

The LHIN received funding of $7,500 (2010 - $7,250) related to the Aboriginal Health project. Aboriginal Health project expenses incurred during the year consist of $7,500 (2010 - $1,056) for community engagement.

Central West Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. **(continued)**

g) Aboriginal Health Transition Fund

The LHIN received no funding for AHTF in 2011 (2010 - $51,000) and no expenses were incurred during the year.

	2011	2010
	$	$
Salaries and benefits	-	26,387
Consulting fees	-	20,331
Other expenses	-	4,282
	-	51,000

h) Diabetes Self Management

The LHIN received no funding in 2011 (2010 - $35,000) for Diabetes Self Management Initiative. There were no expenditures incurred.

i) Critical Care Lead

The LHIN received funding of $75,000 (2010 - $0) related to the Critical Care Lead project. Critical Care Lead expenses incurred during the year consist of $72,000 (2010 - $0) for consulting fees.

11. **General and administrative expenses**

The Statement of financial activities presents expenses by function. The following classifies these same expenses by object:

	2011	2010
	$	$
Salaries and benefits	2,569,791	2,669,292
Occupancy	224,681	179,409
Amortization	63,621	157,557
Shared services	359,495	362,714
LHIN Collaborative	50,000	12,286
2009/10 deficit adjustment	21,097	-
Consulting services	333,396	357,950
Supplies	84,971	47,201
Board Chair remuneration	77,175	75,775
Board member remuneration	69,525	63,725
Board expenses	39,457	47,608
Mail, courier and telecommunications	65,094	49,942
One time initiative funding to Health Service Providers	-	223,474
Other	215,024	280,800
	4,173,327	4,527,733

Central West Local Health Integration Network

Notes to the financial statements

March 31, 2011

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $251,586 (2010 - $221,909) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan in December 31, 2010. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

Champlain Local Health Integration Network

Report of Management

The management of the Champlain Local Health Integration Network (LHIN) is responsible for the preparation and presentation of the accompanying financial statements in conformity with Canadian public sector accounting standards. In preparing these financial statements, management selects appropriate accounting policies and uses its judgment and best estimates to ensure that the financial statements are presented fairly, in all material respects.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business. This system is supported by written policies and procedures for key business activities; the hiring of qualified, competent staff; and by a continuous planning and monitoring program.

Deloitte & Touche LLP, the independent auditors appointed by the Board of Directors, have been engaged to conduct an audit of the financial statements in accordance with generally accepted auditing standards, and have expressed their opinions on these statements. During the course of their audit, Deloitte & Touche LLP reviewed the LHINs system of internal controls to the extent necessary to render their opinion on the financial statements.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.

Alex Munter	Suzanne Dionne
Chief Executive Officer	*Senior Director* *Health System Accountability*

April 2011

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Champlain Local Health Integration Network

We have audited the accompanying financial statements of the Champlain Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2011, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche s.r.l

Chartered Accountants
Licensed Public Accountants
May 25, 2011

Champlain Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,779,686**	1,011,260
Accounts receivable -		
MOHLTC Transfer Payments for Health Service Providers	**9,344,145**	10,030,160
Accounts receivable - MOHLTC Other Programs	**-**	255,000
Accounts receivable - Other	**102,008**	50
	11,225,839	11,296,470
Liabilities		
Accounts payable and accrued liabilities	**1,256,266**	806,800
Due to Health Service Providers	**9,344,145**	10,030,160
Due to MOHLTC (Note 3b))	**567,756**	413,224
Due to the LHIN Shared Services Office (Note 4)	**65,384**	53,478
Deferred capital contributions (Note 5)	**258,218**	354,535
	11,491,769	11,658,197
Net debt	**(265,930)**	(361,727)
Non-financial assets		
Prepaid expenses	**7,712**	7,192
Capital assets (Note 6)	**258,218**	354,535
	265,930	361,727
Accumulated surplus	**-**	-

Approved by the Board

Dr. Wilbert Keon, Board Chair

Johanne Lacombe, Audit Committee Chair

Champlain Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

		2011	2010
	Initial budget (Unaudited) (Note 7)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 8)	2,185,129,622	2,370,161,439	2,244,621,490
LHIN Operations (Note 9)	5,189,890	5,236,877	4,889,440
eHealth (Note 10)	600,000	600,000	600,000
eHealth - Alternate Level of Care / RMR	-	-	80,000
eHealth - Physician Demonstration Program (Note 10)	180,000	180,000	-
eHealth - Implementation and Adoption (Note 10)	266,100	266,100	40,000
Emergency Department Physician Leader (Note 11)	75,000	75,000	69,674
Aboriginal Engagement (Note 11)	35,000	32,260	30,441
Emergency Room / Alternate Level of Care (Note 11)	100,000	100,000	90,629
French Language Services (Note 11)	100,000	110,000	100,000
Patient Flow Performance Improvement (Note 11)	447,000	447,000	-
FLHS Reseau des services de sante en francais (Note 11)	255,959	255,959	-
Diabetes Strategy	-	-	72,000
Diabetes Strategy - Gestational Diabetes	-	-	5,000
Diabetes Strategy - Ethnic Populations	-	-	5,000
Diabetes Strategy - Self Management	-	-	35,000
Capital Review Project	-	-	25,000
Critical Care	75,000	75,000	-
Amortization of deferred capital contributions (Note 5)	-	127,130	354,552
	2,192,453,571	2,377,666,765	2,251,018,226
Expenses			
Transfer payments to HSPs (Note 8)	2,185,129,622	2,370,161,439	2,244,621,490
LHIN Operations (Note 9)	5,189,890	5,182,179	4,873,011
eHealth (Note 10)	600,000	517,330	571,565
eHealth - Alternate Level of Care / RMR	-	-	70,924
eHealth - Physician Demonstration Program (Note 10)	180,000	70,445	-
eHealth - Implementation and Adoption (Note 10)	266,100	213,978	38,916
Emergency Department Physician Leader (Note 11)	75,000	75,000	69,674
Aboriginal Engagement (Note 11)	35,000	4,494	9,989
Emergency Room / Alternate Level of Care (Note 11)	100,000	48,005	88,409
French Language Services (Note 11)	100,000	41,857	-
FLHS Reseau des services de sante en francais (Note 11)	255,959	187,850	
Patient Flow Performance Improvement (Note 11)	447,000	395,513	-
Diabetes Strategy	-	-	37,748
Diabetes Strategy - Gestational Diabetes	-	-	4,127
Diabetes Strategy - Ethnic Populations	-	-	4,437
Diabetes Strategy - Self Management		-	-
Diabetes Registry	-	-	-
Capital Review Project	-	-	10,782
Critical Care	75,000	73,789	-
Amortization	-	127,130	354,552
	2,192,453,571	2,377,099,009	2,250,755,624
Annual surplus before funding repayable to MOHLTC	-	567,756	262,602
Funding repayable to the MOHLTC (Note 3b)	-	(567,756)	(262,602)
Annual and accumulated surplus		-	-

Champlain Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	Budget	2011	2010
	$	$	$
Annual surplus	-	-	-
Acquisition of capital assets	-	**(30,813)**	(300,450)
Amortization of capital assets	-	**127,130**	354,552
Increase in prepaid expenses	-	**(520)**	(263)
Decrease in net debt	-	**95,797**	53,839
Opening net debt	-	**(361,727)**	(415,566)
Closing net debt	-	**(265,930)**	(361,727)

Champlain Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Non-cash items		
Amortization of capital assets	127,130	354,552
Amortization of deferred capital contributions (Note 5)	(127,130)	(354,552)
Changes in non-cash working capital		
Decrease in accounts receivable - MOHLTC HSP	686,015	280,630
Decrease (increase) in accounts receivable - MOHLTC Other Programs	255,000	(255,000)
(Increase) decrease in accounts receivable - Other	(101,958)	25,809
Increase in prepaid expenses	(520)	(263)
Increase (decrease) in accounts payable and accrued liabilities	449,466	(175,085)
Decrease in due to MOHLTC HSP	(686,015)	(280,630)
Increase in due to MOHLTC	154,532	262,602
Increase (decrease) in due to LHIN Shared Services Office	11,906	(23,898)
	768,426	(165,835)
Capital transaction		
Acquisition of capital assets	(30,813)	(300,450)
Financing transaction		
Capital contributions received (Note 5)	30,813	300,450
Net change in cash	768,426	(165,835)
Cash, beginning of year	1,011,260	1,177,095
Cash, end of year	1,779,686	1,011,260

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The Champlain Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Champlain Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished.

The LHIN is, and exercises its powers only as, an agent of the Crown. As an agent of the Crown, the LHIN is not subject to income taxation. Limits on the LHIN's ability to undertake certain activities are set out in both the Act and the Memorandum of Understanding between the LHIN and the Ministry of Health and Long-Term Care (the "MOHLTC").

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007 all funding payments to LHIN-managed Health Service Providers ("HSP") in the LHIN geographic area have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in the LHIN's financial statements.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers Renfrew County, the City of Ottawa, Prescott & Russell, Stormont, Dundas & Glengarry, North Grenville and four parts of North Lanark. Most people live in the Ottawa area. Cornwall, Clarence-Rockland and Pembroke/Petawawa are also large communities. For more details, visit our website: *www.champlainlhin.on.ca*.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario.

Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. The LHIN cannot authorize in excess of the budget allocation set by the MOHLTC. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are also recorded as deferred capital contributions and are recognized as revenue over the estimated useful life of the asset reflective of the provision of its services. This amortization revenue is in accordance with the amortization policy applied to the related capital asset

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of contributed capital assets is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of the asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the contributed capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Software purchases, maintenance and repair costs are recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Computer equipment	3 years
Computer software	3 years
Office furniture and fixtures	5 years
Leasehold improvements	Life of lease

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

The LHIN is required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC

Any funding received in excess of expenses incurred is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC is related to the current year activities in the following programs:

	Revenue	Expenses	Surplus
	$	$	$
Transfer payments to HSPs	2,370,161,439	2,370,161,439	-
LHIN Operations	5,236,877	5,182,179	54,698
Amortization	127,130	127,130	-
e-Health	600,000	517,330	82,670
e-Health Physicians Demonstration Program	180,000	70,445	109,555
e-Health Implementation and Adoption	266,100	213,978	52,122
Patient Flow Performance Improvement	447,000	395,513	51,487
Critical Care	75,000	73,789	1,211
Emergency Department Physician Leader	75,000	75,000	-
Aboriginal Engagement	32,260	4,494	27,766
Emergency Room/Alternate Level of Care	100,000	48,005	51,995
French Language Services	110,000	41,857	68,143
FLHS Reseau des services de sante en francais	255,959	187,850	68,109
	2,377,666,765	2,377,099,009	567,756

b) The amount due to the MOHLTC at March 31 consists of:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	413,224	150,622
Amount recovered during the year	(413,224)	-
Funding repayable to the MOHLTC related to current year activities	567,756	262,602
Due to MOHLTC, end of year	567,756	413,224

4. Related party transactions

The LHIN Shared Services Office ("LSSO") is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is an administrative body that provides centralized Human Resources, Information Technology, Legal and Finance support to all LHINs. The full costs of providing these services are billed to the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs. In addition, the LSSO periodicaly incurs expenses on behalf of the LHINs and charges the appropriate LHINs to recover these costs.

The LHIN Collaborative ("LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service provider associations and the LHINs, and to support system alignment. LHINC is a LHIN-led organization and accountable to the LHINs. In the first year of operation, LHINC was funded by the LHINs with support from the MOHLTC. LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

Champlain Local Health Integration Network

Notes to the financial statements

March 31, 2011

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	354,535	408,637
Capital contributions		
Ministry	30,813	300,450
Amortization for the year	(127,130)	(354,552)
Balance, end of year	258,218	354,535

6. Capital assets

			2011
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer equipment	117,432	105,171	12,261
Computer software	33,762	33,762	-
Office equipment	151,744	127,246	24,498
Furniture and fixtures	390,982	302,000	88,982
Leasehold improvements	1,179,693	1,047,216	132,477
	1,873,613	1,615,394	258,218

			2010
	Cost	Accumulated amortization	Net book value
	$	$	$
Computer equipment	99,040	99,040	-
Computer software	33,762	33,346	416
Office equipment	151,744	105,808	45,936
Furniture and fixtures	390,981	266,624	124,357
Leasehold improvements	1,167,273	983,447	183,826
	1,842,800	1,488,265	354,535

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

7. Budget

The budget figures reported on the Statement of financial activities comply with PSAB reporting requirements and reflect the initial budget approved by the Government of Ontario.

During the year the Government approves budget adjustments. The total funding budget is made up of the following:

	Initial	Announcements	Total
	$	$	$
HSP transfer payments	2,185,129,622	185,031,817	2,370,161,439
LHIN operations	5,189,890	77,800	5,267,690
e-Health programs	1,046,100	-	1,046,100
Other programs	1,087,959	7,260	1,095,219
	2,192,453,571	185,116,877	2,377,570,448

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2011 and 2010 as follows:

	2011	2010
	$	$
Operation of Hospitals		
Operations	**1,587,744,527**	1,512,176,964
Hospital InfraStructure Renewal Fund (Capital)	**5,301,268**	5,575,254
Grants to compensate for Municipal Taxation		
Public Hospitals	**355,650**	355,650
Long-Term Care Homes	**299,838,122**	267,758,962
Community Care Access Centres	**178,160,210**	180,812,654
Community Support Services	**34,488,180**	31,114,027
Acquired Brain Injury	**1,875,348**	1,677,887
Assisted Living Services in Supportive Housing	**7,953,568**	6,434,010
Community Health Centres	**50,108,083**	45,133,717
Community Mental Health Addictions Program	**62,185,509**	60,299,505
Addictions Program	**19,122,970**	16,115,102
Specialty Psychiatric Hospitals	**122,430,317**	117,139,333
Grants to compensate for Municipal Taxation		
Psychiatric Hospitals	**28,425**	28,425
	2,369,592,177	2,244,621,490
Long-Term Care Homes prior year settlements	**569,262**	-
	2,370,161,439	2,244,621,490

9. LHIN operations

The MOHLTC provides funds to the LHIN to cover personnel costs, project and program costs, as well as lease and office related costs. The funds are also used to subsidize the LHIN Shared Services Office as well as LHIN Collaborative (see Note 4). The expenses incurred are as follows:

	2011	2010
	$	$
Program based		
Salary and benefits	**3,746,831**	3,491,502
Consulting and LHIN-based projects	**5,731**	114,617
Other program costs	**325,258**	273,211
	4,077,820	3,879,330
Occupancy	**351,384**	241,484
LHIN Shared services	**359,495**	362,714
LHIN Collaborative	**50,000**	12,286
Governance per diems	**97,361**	102,750
Office equipment and supplies	**178,773**	127,213
Other	**67,346**	147,234
	5,182,179	4,873,011
Amortization	**127,130**	354,552
	5,309,309	5,227,563

Champlain Local Health Integration Network
Notes to the financial statements
March 31, 2011

9. LHIN operations (continued)

Governance costs

Included in the above LHIN Operations results are costs to support the activities of the Board of Directors such as administrative support, travel, community engagement meetings, and other general costs. The expenses incurred are as follows:

	2011	2010
	$	$
Chair per diems	58,150	48,825
Other Board member per diems	39,211	53,925
Other	53,395	160,126
	150,756	262,876

10. e-Health and related programs

The MOHLTC has provided the LHIN with e-Health funding since fiscal 2008. The Project Management Office was created late in fiscal 2009. Funds were also used to support strategic e-Health initiatives. The expenses incurred are as follows:

	2011	2010
	$	$
Salary and benefits	487,620	449,143
Consulting	5,263	85,503
Other program costs	24,447	36,919
	517,330	571,565

e-Health Physician Demonstration Program

Leveraging the Champlain Collaboration Space, "BASE" (Building Access to Specialists through eConsultation) is a pilot project to improve patient care across Champlain. Currently, 35 family doctors and nurse practitioner have been provided with secure web-based access to specialists from 10 different disciplines (dermatology, nephrology, endocrinology, cardiology, paediatric oncology, neurology, diabetes educator, internal medicine, thrombosis) in order to address patient needs sooner and more effectively, in some cases eliminating the need for formal referrals that often involve long waits, inconvenience for patients, and more systemic costs.

e-Health implementation and adoption

The LHIN intends to prepare its Region for more rapid and effective promotion, implementation and adoption of e-Health initiatives. The LHIN received funds late in fiscal 2011 which it used to enhance the robustness of the regional collaboration space launched in fiscal 2010 for the Champlain LHIN's health service providers.

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. Other programs

Emergency Department Physician Leader

Since fiscal 2008 the MOHLTC has worked closely with the LHINs, Ontario hospitals and healthcare professionals to implement a comprehensive Emergency Department Strategy. To support the improvements required by this strategy, the MOHLTC and the LHIN jointly retained an Emergency Department Physician Leader. The funds received have been used to compensate the Physician Leader and to cover related business expenses.

Aboriginal engagement

The MOHLTC provided funding for Aboriginal community engagement. The LHIN allocated the funds to support the new Aboriginal Health Circle Forum to engage in community engagement activities across the region. Specifically, the funds were used to support three community engagement events and the creation of a report of the urban Aboriginal consultation.

Emergency Room/Alternate Level of Care Performance Lead (ER/ALC)

Improving Emergency Department wait times and reducing hospital ALC days are key provincial priorities. The LHIN received funds to hire a staff resource to implement the ER/ALC Overarching Plan and the ER Pay for Results Action Plan, and to advance the implementation of a standard performance management approach.

French Language Health Services (FLHS) Program

The objective of the FLHS Program is to improve the health status of Francophones and to ensure the integration of French language services consistent with Ministry directions. In fiscal 2011, the MOHLTC provided $106,000 base funding to establish a dedicated FLHS resource to support the implementation of French language services. The funds were received late in the year; the LHIN was unable to recruit the resource by the end of the fiscal year.

FLHS Réseau des services en français

The objective of the FLHS Program is to improve the health status of Francophones and to ensure the integration of French language services consistent with Ministry directions. In fiscal 2011, the LHIN hired a dedicated FLHS resource, the French Language Services Advisor to support the implementation of FLS in the Champlain region. The Réseau des services de santé en français de l'Est de l'Ontario was formally designated by MOHLTC as the French Language Health Planning Entity (FLHPE) for the Champlain and South East LHINs. The accountability agreement that was signed by the two LHINs and the Entity, gives the parameters of the work plans that are in the process of development. The LHIN will be seeking the advice of the Entity to ensure that the planning and integration activities reflect the needs and priorities of francophone communities.

Patient Flow Performance Improvement Project

The patient flow performance improvement project will analyze the current state and recommend strategies and practices to improve patient flow both within hospitals and from hospitals to other providers. The project is a LHIN based collaborative procurement model involving four LHINS: North East, Central West, Hamilton Niagara and the Champlain LHIN. The Champlain LHIN will be responsible for the management of the contract.

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 38 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed by the LHIN to HOOPP for fiscal 2011 was $346,372 (2010 - $311,167) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2010. At that time, the plan was fully funded.

Champlain Local Health Integration Network

Notes to the financial statements
March 31, 2011

13. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act.*

14. Commitments

The LHIN has commitments under various operating leases expiring at various dates to 2015 related to office space and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years are as follows:

	$
2012	387,613
2013	383,336
2014	378,426
2015	187,993
	1,337,368

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

	$
2012	2,310,539,569
2013	657,205,500

The actual amounts that will ultimately be paid to HSP's are contingent on receipt of anticipated levels of funding from the MOHLTC. At this time, the Champlain LHIN has agreements with hospitals for the period ending March 31, 2012, long term care providers that extend until March 31, 2013 and community sector providers that extend until March 31, 2014. Current community sector agreements do not specify financial commitments for 2014.

Erie St. Clair Local Health Integration Network

Management Responsibility Report

The management of the Erie St. Clair Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.

Mr. Gary Switzer
Chief Executive Officer

Mr. Matthew Little, CMA
Director, Corporate Services and Controller

May 1, 2011

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Erie St. Clair Local Health Integration Network

We have audited the accompanying financial statements of Erie St. Clair Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Erie St. Clair Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 24, 2011

Erie St. Clair Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (Unaudited) (Note 6)	Actual	Actual
	$	$	$
Revenue			
MOHTLC funding			
HSP transfer payments (Note 7)	936,978,823	1,004,975,091	952,882,369
Operations of LHIN	4,295,080	4,486,383	4,388,226
E-Health (Note 9a)	-	1,287,000	600,000
Aboriginal Health Transformation Fund (Note 9b)	-	-	126,500
Emergency Department Lead (Note 9c)	-	75,000	75,000
Critical Care Lead (Note 9d)	-	75,000	-
Diabetes Fund (Note 9e)	-	35,000	25,000
French Language Services Fund (Note 9f)	35,558	35,558	36,942
French Language Health Planning Entities Fund (Note 9g)	-	144,424	-
Amortization of deferred capital contributions (Note 4)	29,243	44,574	230,825
	941,338,704	1,011,158,030	958,364,862
Expenses			
Transfer payments to HSPs (Note 7)	936,978,823	1,004,975,091	952,882,369
General and administrative (Note 8)	4,324,323	4,530,957	4,619,051
E-Health (Note 9a)	-	1,287,000	600,000
Aboriginal Health Transformation Fund (Note 9b)	-	-	126,500
Emergency Department Lead (Note 9c)	-	75,000	75,000
Critical Care Lead (Note 9d)	-	51,000	-
Diabetes Fund (Note 9e)	-	3,750	25,000
French Language Services Fund (Note 9f)	35,558	3,803	36,942
French Language Health Planning Entities Fund (Note 9g)	-	144,424	-
	941,338,704	1,011,071,025	958,364,862
Annual surplus before funding repayable to the MOHLTC	-	87,005	-
Funding repayable to the MOHLTC (Note 10)	-	(87,005)	-
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Erie St. Clair Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

		2011	2010
	Budget (Unaudited) (Note 6)	Actual	Actual
	$	$	$
Annual surplus		-	-
Prepaid expenses incurred	-	12,347	19,653
Acquisition of capital assets	-	(47,460)	(6,847)
Amortization of capital assets	29,243	44,574	230,825
Decrease in net debt	29,243	9,461	243,631
Opening net debt	(76,951)	(76,951)	(320,582)
Closing net debt	(47,708)	(67,490)	(76,951)

Erie St. Clair Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**849,512**	604,779
Due from Ministry of Health and Long-Term Care ("MOHLTC") (Note 7)	**4,331,253**	3,299,486
Accounts receivable	**58,627**	-
Due from the LHIN Shared Services Office (Note 3)	**6,499**	5,000
	5,245,891	3,909,265
Liabilities		
Accounts payable and accrued liabilities	**854,497**	607,213
Due to MOHLTC (Note 10b)	**55,755**	14,913
Due to Health Service Providers ("HSPs") (Note 7)	**4,331,253**	3,299,486
Due to the LHIN Shared Services Office (Note 3)	**4,386**	-
Deferred capital contributions (Note 4)	**67,490**	64,604
	5,313,381	3,986,216
Commitments (Note 13)		
Net debt	**(67,490)**	(76,951)
Non-financial assets		
Prepaid expenses	**-**	12,347
Capital assets (Note 5)	**67,490**	64,604
Accumulated surplus	**-**	-

Approved by the Board

Director

Director

Erie St. Clair Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	44,574	230,825
Amortization of deferred capital contributions (Note 4)	(44,574)	(230,825)
	-	-
Changes in non-cash operating items		
Increase in due from MOHLTC	(1,031,767)	(2,718,886)
Increase in accounts receivable	(58,627)	-
Increase in due from LHIN Shared Services Office	(1,499)	(5,000)
Increase (decrease) in accounts payable and accrued liabilities	247,284	(73,143)
Increase in due to MOHLTC	40,842	-
Increase in due to HSPs	1,031,767	2,718,886
Increase (decrease) in due to LHIN Shared Services Office	4,386	(17,179)
Decrease in prepaid expenses	12,347	19,653
	244,733	(75,669)
Capital transactions		
Acquisition of capital assets	(47,460)	(6,847)
Financing transactions		
Increase in deferred capital contributions (Note 4)	47,460	6,847
Net increase (decrease) in cash	244,733	(75,669)
Cash, beginning of year	604,779	680,448
Cash, end of year	849,512	604,779

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The Erie St. Clair Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the Erie St. Clair Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Municipalities of Essex, Lambton and Chatham-Kent. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenses that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Cash

Cash includes cash on hand and balances with banks, net of bank overdrafts.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office equipment	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

4. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	64,604	288,582
Capital contributions received during the year	47,460	6,847
Amortization for the year	(44,574)	(230,825)
Balance, end of year	67,490	64,604

5. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office equipment	472,325	470,120	2,205	4,412
Computer equipment	108,599	71,032	37,567	22,735
Leasehold improvements	596,550	568,832	27,718	37,457
	1,177,474	1,109,984	67,490	64,604

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

HSP funding

	$
Initial budget	936,978,823
Adjustment due to announcements made during the year	67,996,268
Final HSP funding budget	**1,004,975,091**

LHIN operations

	$
Initial budget	4,359,881
Additional funding received during the year	1,870,518
Amount treated as capital contributions made during the year	(47,460)
Final LHIN operations budget	**6,182,939**

7. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $1,004,975,091 (2010 - $952,882,369) to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	638,504,780	612,202,122
Health infrastructure renewal fund - hospitals	2,025,299	2,150,982
Grants to compensate for municipal taxation - public hospitals	163,650	163,650
Long-term care homes	168,841,929	158,614,357
Community care access centres	111,133,672	105,344,964
Community support services	16,085,420	14,634,806
Assisted living services in supportive housing	5,633,306	5,293,339
Community health centres	23,327,102	17,794,278
Community mental health addictions programs	9,590,687	9,080,273
Community mental health programs	29,669,246	27,603,598
	1,004,975,091	952,882,369

The LHIN receives money from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2011, an amount of $4,331,253 (2010 - $3,299,486) was receivable from the MOHLTC and payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of financial activities and are included in the table above.

Erie St. Clair Local Health Integration Network
Notes to the financial statements
March 31, 2011

8. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	3,040,178	2,958,376
Occupancy	290,583	217,512
Amortization	44,574	230,825
Shared services	359,495	362,714
Public relations	68,825	43,336
Consulting services	148,601	277,231
Supplies	37,859	33,141
Board Chair per diems	55,650	54,075
Board member per diems	58,675	64,450
Board member expenses	67,052	127,811
Mail, courier and telecommunications	57,503	62,072
LHIN Collaborative	50,028	12,286
Other	251,924	175,222
	4,530,947	4,619,051

9. a) **E-Health**

The E-Health office of the Ministry of Health and Long-Term Care provided $1,287,000 (2010 - $600,000) to the LHIN. The LHIN had a contract and retained services of the Consolidated Health Information Services ("CHIS") during 2011 and 2010 for the entire allotment of funding.

b) **Aboriginal Health Transformation Fund**

The MOHLTC provided the LHIN with $126,500 in 2010 directed from the Federal Government to be used in engaging the aboriginal communities for both the Southwest and Erie St. Clair LHINs. Both LHINs directed a portion of the funds to engage their respective aboriginal populations and gather and interpret information, while developing plans for their health care. All funds were expended.

c) **Emergency Department Lead**

The MOHLTC provided the LHIN with $75,000 (2010 - $75,000) to hire a LHIN representative for emergency department planning. Dr. David Ng incurred operating expenses totaling $75,000 (2010 - $75,000).

d) **Critical Care Lead**

The MOHLTC provided the LHIN with $75,000 (2010 - Nil) to hire a LHIN representative for critical care planning. Dr. Eli Malus incurred operating expenses totaling $51,000 resulting in a surplus of $24,000 which has been set up as a payable to the Ministry of Health and Long-Term Care.

e) **Diabetes**

The MOHLTC provided the LHIN with $35,000 (2010 – $25,000) to produce a Self-Management toolkit and incurred operating expenses totaling $3,750 (2010 – $25,000).

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. f) **French Language Services**

The MOHLTC provided the LHIN with $72,500 in 2010 to enhance French Language services information, of which $35,558 was deferred to 2011. The LHIN incurred operating expenses totaling $3,803 resulting in a surplus of $31,755 which has been setup as a payable to the Ministry of Health and Long-Term Care.

g) **French Language Health Planning Entity**

The MOHLTC provided the LHIN with $144,424 (2010 – Nil) to establish and fund a new entity on behalf of the Southwest and Erie St. Clair LHINs. All funds were expended.

10. **Funding repayable to the MOHLTC**

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2011 surplus	2010 surplus
	$	$	$	$
Transfer payments to HSPs	1,004,975,091	1,004,975,091	-	-
LHIN operations	4,530,957	4,530,957	-	-
E-Health	1,287,000	1,287,000	-	-
Diabetes Fund	35,000	3,750	31,250	-
French Language Services Fund	35,558	3,803	31,755	-
French Language Health Planning	144,424	144,424	-	-
Critical Care Lead Fund	75,000	51,000	24,000	
Emergency Department Lead	75,000	75,000	-	-
	1,011,158,030	1,011,071,025	87,005	-

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHTLC, beginning of year	14,913	14,913
Funding repayable to the MOHLTC related to current year activities (Note 10a)	87,005	-
Amounts repaid to MOHLTC during the year	(46,163)	-
Due to MOHLTC, end of year	55,755	14,913

11. **Pension agreements**

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 25 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $213,717 (2010 - $201,003) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan in December 31, 2010. At that time, the plan was fully funded.

Erie St. Clair Local Health Integration Network

Notes to the financial statements
March 31, 2011

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has funding commitments to health service providers associated with accountability agreements. The LHIN had no funding commitments as of March 31, 2011.

The LHIN also has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	$
2012	195,081
2013	188,004
2014	180,204
2015	156,804
2016	91,469

264 Main Street East
Grimsby, ON L3M 1P8
Tel: 905 945-4930
Toll Free: 1 866 363-5446
Fax: 905 945-1992
www.hnhblhin.on.ca

264, rue Main Est
Grimsby ON L3M 1P8
Tél : 905-945-4930
866-363-5446
Téléc : 905-945-1992
www.hnhblhin.on.ca

Hamilton Niagara Haldimand Brant **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the Hamilton Niagara Haldimand Brant Local Health Integration Network (HNHBLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

The external auditors meet with Management and the Audit Committee to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements by the Board of Directors.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Donna Cripps
Chief Executive Officer

Patricia Ciccarelli
Director, Finance

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Hamilton Niagara Haldimand Brant
Local Health Integration Network

We have audited the accompanying financial statements of Hamilton Niagara Haldimand Brant Local Health Integration Network, which comprise the statements of financial position as at March 31, 2011, and the statements of financial activities, changes in debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hamilton Niagara Haldimand Brant Local Health Integration Network, as at March 31, 2011 and the results of its financial activities, its changes in net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 31, 2011

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	1,869,146	546,544
Accounts receivable - Ministry of Health and Long-Term Care ("MOHLTC")	-	35,000
HST receivable	49,796	-
Accounts receivable - other	-	6,634
Due from MOHLTC to Health Service Providers ("HSPs") (Note 9)	11,338,713	1,374,800
Due from the LHIN Shared Services Office (Note 4)	-	4,968
	13,257,655	1,967,946
Liabilities		
Accounts payable and accrued liabilities	1,077,030	555,276
Due to the MOHLTC (Note 3b)	851,197	54,863
Due to HSPs from MOHLTC (Note 9)	11,338,713	1,374,800
Due to the LHIN Shared Services Office (Note 4)	4,089	-
Deferred capital contributions (Note 5)	311,967	481,618
	13,582,996	2,466,557
Commitments (Note 6)		
Net debt	(325,341)	(498,611)
Non-financial assets		
Prepaid expenses	13,374	16,993
Capital assets (Note 7)	311,967	481,618
Accumulated surplus	-	-

Approved by the Board

Michael [signature] Director

F. L. [signature] Director

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of financial activities year ended March 31, 2011

	Budget (Unaudited) (Note 8)	2011 Actual	2010 Actual
	$	$	$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	2,440,495,590	2,600,261,574	2,493,218,669
Operations of LHIN	5,105,872	5,174,872	5,096,546
E-Health (Note 10a)	600,000	600,000	600,000
E-Health-Physician Demonstration Project (Note 10a)	-	200,000	-
Residents First (Note 10b)	-	498,500	209,750
ER/ALC Performance Lead (Note 10c)	-	100,000	100,000
French Language Services (Note 10d)	-	74,670	78,000
French Language Planning Entity (Note 10d)	-	152,924	-
Emergency Dept LHIN LEAD (Note 10e)	-	75,000	75,000
Critical Care LHIN LEAD (Note 10f)	-	75,000	-
Aboriginal Planning (Note 10g)	37,500	37,500	37,500
Diabetes Self Management	-	-	35,000
Diabetes Strategy	-	-	25,000
Amortization of deferred capital contributions (Note 5)	-	185,756	229,600
	2,446,238,962	2,607,435,796	2,499,705,065
Expenses			
Transfer payments to HSPs (Note 9)	2,440,495,590	2,600,261,574	2,493,218,669
General and administrative (Note 11)	5,105,872	4,863,116	5,319,297
E-Health (Note 10a)	600,000	600,000	600,000
E-Health-Physician Demonstration Project (Note 10a)	-	200,000	-
Residents First (Note 10b)	-	162,855	161,736
ER/ALC Performance Lead (Note 10c)	-	100,000	100,000
French Language Services (Note 10d)	-	60,516	78,000
French Language Planning Entity (Note 10d)	-	152,924	-
Emergency Dept LHIN LEAD (Note 10e)	-	74,364	75,000
Critical Care LHIN LEAD (Note 10f)	-	72,167	-
Aboriginal Planning (Note 10g)	37,500	37,083	37,500
Diabetes Self Management	-	-	35,000
Diabetes Strategy	-	-	25,000
	2,446,238,962	2,606,584,599	2,499,650,202
Annual surplus before funding repayable to the MOHLTC	-	851,197	54,863
Funding repayable to the MOHLTC (Note 3a)	-	(851,197)	(54,863)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

		2011	2010
	Budget (Unaudited) (Note 8)	Actual	Actual
	$	$	$
Annual surplus	-	-	-
Change in other non-financial assets	-	3,619	2,520
Acquisition of capital assets	-	(16,105)	(9,327)
Amortization of capital assets	-	185,756	229,600
Decrease in net debt	-	173,270	222,793
Opening net debt	-	(498,611)	(721,404)
Closing net debt	-	(325,341)	(498,611)

Hamilton Niagara Haldimand Brant Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Add items not affecting cash		
Amortization of capital assets	185,756	229,600
Less items not affecting cash		
Amortization of deferred capital contributions (Note 5)	(185,756)	(229,600)
	-	-
Changes in non-cash operating items		
Decrease (increase) in accounts receivable - other	6,634	(6,490)
Decrease in accounts receivable - MOHLTC	35,000	188,200
Increase in HST receivable	(49,796)	-
(Increase) decrease in due from MOHLTC to HSPs	(9,963,913)	3,184,349
Increase (decrease) in accounts payable and accrued liabilities	521,754	(407,645)
Increase in due to the MOHLTC	796,334	54,863
Increase (decrease) in due to HSPs from MOHLTC	9,963,913	(3,184,349)
Increase (decrease) in due to the LHIN Shared Services Office	9,057	(21,201)
Decrease in prepaid expenses	3,619	2,520
	1,322,602	(189,753)
Capital investment		
Acquisition of capital assets	(16,105)	(9,327)
Financing transaction		
Capital contributions received (Note 5)	16,105	9,327
Net change in cash	1,322,602	(189,753)
Cash, beginning of year	546,544	736,297
Cash, end of year	1,869,146	546,544

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The Hamilton Niagara Haldimand Brant Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Hamilton Niagara Haldimand Brant Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Counties of Hamilton, Niagara, Haldimand, Brant, most of the County of Norfolk and the City of Burlington. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital asset and impairment in the value of assets.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHTLC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. **Significant accounting policies (continued)**

Capital assets (continued)

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year. Infrastructure/web development costs are included with computer equipment for accounting and reporting purposes.

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **Funding repayable to the MOHLTC**

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

			2011	2010
	Revenue	**Expenses**	**Surplus**	Surplus
	$	**$**	**$**	$
Transfer payments to HSPs	**2,600,261,574**	**2,600,261,574**	**-**	-
LHIN operations	**5,174,872**	**4,677,360**	**497,512**	6,849
E-Health	**600,000**	**600,000**	**-**	-
E-Health-Physician Demonstration	**200,000**	**200,000**	**-**	-
Residents First	**498,500**	**162,855**	**335,645**	48,014
ER/ALC Performance Lead	**100,000**	**100,000**	**-**	-
French Language Planning Entity	**152,924**	**152,924**	**-**	-
Emergency Dept. LHIN LEAD	**75,000**	**74,364**	**636**	-
Critical Care LHIN LEAD	**75,000**	**72,167**	**2,833**	-
French Language Services	**74,670**	**60,516**	**14,154**	-
Aboriginal Planning	**37,500**	**37,083**	**417**	-
	2,607,250,040	**2,606,398,843**	**851,197**	54,863

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC (continued)

b) The amount due to the MOHLTC at March 31, 2011 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	54,863	-
Funding repayable related to current year activities to the MOHLTC (Note 3a)	851,197	54,863
Amount recovered by the MOHLTC during the year	(54,863)	-
Due to MOHLTC, end of year	851,197	54,863

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end, are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared services agreement the LSSO has with all LHINs.

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	481,618	701,891
Capital contributions received during the year	16,105	9,327
Amortization for the year	(185,756)	(229,600)
Balance, end of year	311,967	481,618

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years and thereafter are as follows:

	$
2012	160,875
2013	157,275
2014	163,313
2015	172,786
2016	172,786
Thereafter	245,716

The LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon LHIN funding received from MOHLTC.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements

March 31, 2011

7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Office equipment, furniture and fixtures	471,438	390,825	80,613	121,226
Computer equipment	129,581	128,303	1,278	15,828
Leasehold improvements	572,444	342,368	230,076	344,564
	1,173,463	861,496	311,967	481,618

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of financial activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of $2,600,261,574 is derived as follows:

	$
Initial budget	2,440,495,590
Adjustment due to announcements made during the year	159,765,984
Final budget	2,600,261,574

The final LHIN general and administrative budget of $6,995,966 is derived as follows:

	$
Initial budget	
LHIN operations	5,105,872
E-Health	600,000
Aboriginal Planning	37,500
Additional funding received during the year for	
Stabilization increase	76,500
Residents First	498,500
E-Health-Physician Demonstration Project	200,000
French Language Planning Entity	152,924
ER/ALC Performance Lead	100,000
Emergency Dept. LHIN LEAD	75,000
Critical Care LHIN LEAD	75,000
French Language Services Coordinator	74,670
Final budget	6,995,966

Hamilton Niagara Haldimand Brant
Local Health Integration Network
Notes to the financial statements
March 31, 2011

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $2,600,261,574 (2010 - $2,493,218,669) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	**1,781,194,426**	1,718,425,416
Capital contributions - Health Infrastructure Renewal Fund	**5,119,191**	5,417,098
Grants to compensate for municipal taxation - public hospitals	**458,100**	462,075
Long term care homes	**411,353,925**	396,752,189
Community care access centres	**248,141,094**	228,780,891
Community support services	**41,210,576**	39,376,097
Acquired brain injury	**6,429,869**	6,086,497
Assisted living services in supportive housing	**24,178,932**	24,345,509
Community health centres	**20,909,757**	16,255,575
Community mental health addictions program	**61,265,704**	57,317,322
	2,600,261,574	2,493,218,669

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2011 an amount of $11,338,713 was payable to the HSPs. This amount has been reflected as revenue and expenses within the LHIN's financial activities and is included above.

10. a) *E-Health*

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $800,000 (2010 - $600,000). $600,000 of these funds were used toward initiatives in support of the Project Management Office for 2011 update of the E-Health strategic plan and $200,000 were used for the Physician Demonstration Project.

b) *Residents First*

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding, on behalf of all the LHINs, in the amount of $498,500 (2010 - $209,750) for all Residents First initiatives throughout the province. Of the total, $30,991 was for Residents First initiatives in the Hamilton Niagara Haldimand Brant LHIN. As directed by the MOHLTC, these funds were used to support training of staff that would result in performance improvement in Long-Term Care homes and help to reduce pressures on the Emergency Departments. Residents First supports long-term care homes in Ontario in providing an environment for their residents that enhances their quality of life and facilitates comprehensive and lasting change by strengthening the long-term care sector's capacity for quality improvement.

c) *ER/ALC Performance Lead*

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $100,000 (2010 - $100,000). These funds were used to support the activities of the ER/ALC Coordinator.

d) *French Language Services*

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $227,594 (2010 - $78,000). $74,670 of these funds was used to support the French Language Services Coordinator role and $152,924 was included in the initial allocation for the French Language Planning Entity.

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. (continued)

e) Emergency Department LHIN LEAD

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $75,000 (2010 - $75,000). These funds were used toward initiatives in support of Emergency Department LHIN LEAD activities.

f) Critical Care LHIN LEAD

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $75,000 (2010 - $nil). These funds were used toward initiatives in support of Critical Care LHIN LEAD activities.

g) Aboriginal Planning

During fiscal 2011, the Hamilton Niagara Haldimand Brant LHIN received funding in the amount of $37,500 (2010 - $37,500). These funds were used to support Aboriginal Planning activities.

	2011	2010
	$	$
Travel	487	101
Salaries and benefits	32,349	-
Consulting services	-	500
Meeting expenses	4,247	36,812
Supplies, other	-	87
	37,083	37,500

Hamilton Niagara Haldimand Brant
Local Health Integration Network
Notes to the financial statements
March 31, 2011

11. General and administrative expenses

The Statement of financial activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	3,384,397	3,248,887
Board Chair per diems	60,725	55,650
Directors' per diems	62,550	73,150
Board expenses	24,383	37,095
Travel	46,389	48,246
Consulting services	47,968	481,998
Community forums and communication	51,717	122,186
Supplies, equipment, maintenance, other	248,715	318,105
Occupancy costs	341,021	309,380
Amortization	185,756	229,600
Shared services	409,495	375,000
General and administrative expenses	4,863,116	5,319,297
E-Health	600,000	600,000
E-Health-Physician Demonstration Project	200,000	-
Residents First	162,855	161,736
ER/ALC Performance Lead	100,000	100,000
French Language Services	60,516	78,000
French Language Planning Entity	152,924	-
Emergency Dept. LHIN LEAD	74,364	75,000
Critical Care LHIN LEAD	72,167	-
Aboriginal Planning	37,083	37,500
Diabetes Strategy - Self Management	-	35,000
Diabetes Strategy	-	25,000
	6,323,025	6,431,533
Reconciliation to MOHLTC approved budget		
General and administrative and initiatives expenses	6,323,025	6,431,533
Less: amortization	(185,756)	(229,600)
Add: due to MOHLTC	851,197	54,863
Add: purchase of tangible capital assets	16,105	9,327
	7,004,571	6,266,123

Hamilton Niagara Haldimand Brant Local Health Integration Network

Notes to the financial statements
March 31, 2011

12. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of 30 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $245,987 (2010 - $210,063) for current service costs and is included as an expense in the Statement of financial activities. The last actuarial valuation was completed for the plan on December 31, 2010. At that time, the plan was fully funded.

13. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act*, 2006 and in accordance with s. 28 of the *Financial Administration Act*.

700 Dorval, Suite 500
Oakville, ON
L6K 3V3
Tel : 905-337-7131
Fax: 905-337-8330

Mississauga Halton LHIN

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the Mississauga Halton Local Health Integration Network (MHLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

William MacLeod
Chief Executive Officer

Narendra Shah
Chief Operating Officer

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Mississauga Halton Local Health Integration Network

We have audited the accompanying financial statements of Mississauga Halton Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Mississauga Halton Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 2, 2011

Mississauga Halton Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,591,470**	816,342
Accounts receivable	**75,545**	11,598
Accounts receivable Ministry of Health and Long-Term Care ("MOHLTC") transfer payments to Health Service Providers ("HSPs") (Note 3)	**3,949,134**	14,083,200
Due from MOHLTC	**-**	35,000
Due from other Local Health Integration Network ("LHIN") - Project Funds	**-**	48,697
Due from the LHIN Shared Services Office	**-**	3,554
	5,616,149	14,998,391
Liabilities		
Accounts payable and accrued liabilities	**747,472**	689,192
Accounts payable HSPs transfer payments (Note 3)	**3,949,134**	14,083,200
Due to MOHLTC (Note 4b)	**931,842**	228,663
Due to the LHIN Shared Services Office (Note 5)	**1,784**	-
Deferred capital contributions (Note 6)	**67,176**	109,025
	5,697,408	15,110,080
Commitments (Note 7)		
Net debt	**(81,259)**	(111,689)
Non-financial assets		
Prepaid expenses	**14,083**	2,664
Capital assets (Note 8)	**67,176**	109,025
	81,259	111,689
Accumulated surplus	**-**	-

Approved by the Board

Director

Director

Mississauga Halton Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (Unaudited) (Note 9)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 3)	1,127,016,430	1,249,033,864	1,145,448,392
LHIN Operation	4,268,293	4,323,097	4,174,408
E-Health Project Management Office (PMO) (Note 12a)	-	600,000	600,000
Other E-Health Project Initiatives (Note 12b)	-	700,000	-
Emergency Department (ED) Lead (Note 12c)	-	75,000	75,000
ER/ALC Performance Lead (Note 12d)	-	100,000	100,000
French Language Health Services (Note 12e)	100,000	110,000	162,100
Critical Care Lead (Note 12f)	-	75,000	-
Aboriginal Engagement (Note 12g)	5,000	5,000	5,000
Diabetes	-	-	25,000
Amortization of deferred capital contributions (Note 6)	-	51,045	268,637
	1,131,389,723	1,255,073,006	1,150,858,537
Expenses			
Transfer payments to HSPs (Note 3)	1,127,016,430	1,249,033,864	1,145,448,392
General and administrative expense LHIN operation (Notes 10 and 11)	4,268,293	4,092,219	4,386,320
E-Health Project Management Office (PMO) (Note 12a &13)	-	478,423	597,076
Other E-Health Project Initiatives (Note 12b & 13)	-	215,434	-
Emergency Department (ED) Lead (Note 12c and 13)	-	69,435	60,505
ER/ALC Performance Lead (Note 12d)	-	98,072	100,000
French Language Health Services (Note 12e)	100,000	108,000	63,633
Critical Care Lead (Note 12f and 13)	5,000	42,000	-
Aboriginal Engagement (Note 12g)	-	3,717	2,227
Diabetes	-	-	25,000
	1,131,389,723	1,254,141,164	1,150,683,153
Annual surplus before funding repayable to the MOHLTC	-	931,842	175,384
Funding repayable to the MOHLTC (Note 4a)	-	(931,842)	(175,384)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Mississauga Halton Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

		2011	2010
	Budget (Unaudited) (Note 9)	Actual	Actual
	$	$	$
Annual surplus	-		-
Change in prepaid expenses	-	(11,419)	13,565
Acquisition of capital assets	-	(9,196)	(93,885)
Amortization of capital assets	-	51,045	268,637
Decrease in net debt	-	30,430	188,317
Opening net debt	-	(111,689)	(300,006)
Closing net debt	-	(81,259)	(111,689)

Mississauga Halton Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Add item not affecting cash		
Amortization of capital assets	51,045	268,637
Less items not affecting cash		
Amortization of deferred capital contributions (Note 6)	(51,045)	(268,637)
	-	-
Changes in non-cash operating items		
Increase in accounts receivable	(63,947)	(5,459)
Decrease (increase) in Due from MOHLTC	35,000	(35,000)
Decrease (increase) in Due from other LHIN	48,697	(48,697)
Decrease (increase) in Due from the LHIN Shared Services Office	3,554	(3,554)
Decrease (increase) in accounts receivable MOHLTC transfer payments to HSPs	10,134,066	(2,520,800)
Increase (decrease) in accounts payable and accrued liabilities	58,280	(70,177)
(Decrease) increase in accounts payable HSPs transfer payments	(10,134,066)	2,520,800
Increase in due to MOHLTC	703,179	210,384
Increase (decrease) in due to the LHIN Shared Services Office	1,784	(7,494)
(Increase) decrease in prepaid expenses	(11,419)	13,565
	775,128	53,568
Capital transaction		
Acquisition of capital assets	9,196	(93,885)
Financing transaction		
Capital contributions received (Note 6)	(9,196)	93,885
Net increase in cash	775,128	53,568
Cash, beginning of year	816,342	762,774
Cash, end of year	1,591,470	816,342

Mississauga Halton Local Health Integration Network
Notes to the financial statements
March 31, 2011

1. **Description of business**

The Mississauga Halton Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Mississauga Halton Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers a south-west portion of the City of Toronto, the south part of Peel Region and all of Halton Region except for Burlington. The LHIN enters into service accountability agreements with service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairment in the value of assets.

Cash

Cash includes balances with banks.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the Health Service Providers ("HSPs"). The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. As directed by the ministry, there are circumstances when funding received by the HSP is used to pay expenses for which the related services have not yet to be performed. These amounts are recorded by the HSP as payable to the MOHLTC/LHIN at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets in the operation of the LHIN, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Web development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. **Significant accounting policies (continued)**

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles for government as established by PSAB requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. **Transfer payments to HSPs**

In fiscal 2011, the LHIN had authorization to allocate funding of $1,249,033,864 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	**862,703,401**	788,814,383
Health Infrastructure Renewal Fund (HIRF)	**1,630,268**	1,776,895
Long term care homes	**170,596,423**	163,183,965
Community care access centres	**126,131,374**	116,037,922
Community support services	**24,147,634**	21,206,070
Assisted living services in supportive housing	**27,394,185**	21,585,324
Community mental health	**26,489,024**	23,664,737
Addictions program	**4,325,800**	4,143,160
Acquired brain injury	**5,615,755**	5,035,936
	1,249,033,864	1,145,448,392

The LHIN receives money from the MOHLTC which it in turn allocates to the HSPs. As at March 31, 2011, an amount of $3,949,134 (2010 - $14,083,200) was receivable from the MOHLTC and $3,949,134 (2010 - $14,083,200) was payable to the HSPs. These amounts have been reflected as revenue and expenses with the LHIN's financial activities and are included above.

Included in the LHIN's transfer payments to HSPs - operation of hospitals as revenue and expense are funding amounts to the Hospitals for the current period although the final performance of the service will occur in subsequent fiscal years due to the timing of the funding. Hospitals are required to obtain LHIN approval to defer revenue to subsequent fiscal years and the LHIN's management monitors these items closely to ensure ultimate performance is achieved. This is consistent to the Business Oriented New Development (B.O.N.D.) Policy which was established specifically for the hospital sector.

New investment decisions targeting various initiatives such as the Aging At Home strategy, reduction in emergency room wait times, etc. are included in the above transfer payments to HSPs.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

4. **Funding repayable to the MOHLTC**

In accordance with the MLPA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2011 Surplus	2010 Surplus
	$	$	$	$
Transfer payments to HSPs	1,249,033,864	1,249,033,864	-	-
LHIN operations	4,374,142	4,092,219	281,923	56,725
E-Health PMO	600,000	478,423	121,577	2,924
Other E-Health Project Initiatives	700,000	215,434	484,566	-
ED Lead	75,000	69,435	5,565	14,495
ER/ALC Performance Lead	100,000	98,072	1,928	-
French Language Health Services	110,000	108,000	2,000	98,467
Critical Care Lead	75,000	42,000	33,000	-
Aboriginal engagement	5,000	3,717	1,283	2,773
	1,255,073,006	1,254,141,164	931,842	175,384

The net unspent amount of other E-Health project initiatives of $484,566 (2010- nil) relates to the late funding announcement.

b. The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	228,663	18,279
Funding repayable to the MOHLTC related to current year activities (Note 4a)	931,842	175,384
Funding repayable to MOHLTC for Diabetes Education	-	35,000
Amount recovered by the MOHLTC during the year	(228,663)	-
Due to MOHLTC, end of year	931,842	228,663

5. **Shared services agreement**

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

In fiscal 2010, the Local Health Integration Network Collaborative ("LHINC") became a division of the Toronto Central LHIN. LHINC was formed to foster engagement of the LHINS' HSP community and encourage collaborative integration of the health care system to all LHINs. LHINC is subject to the same policies, guidelines and directives as the LSSO and Toronto Central LHIN.

MH LHIN has also entered into various shared service agreements with respect to the E-health initiative as a shared responsibility to the Central West LHIN, Hospitals and the Mississauga Halton Community Care Access Centre.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

6. **Deferred capital contributions**

	2011	2010
	$	$
Balance, beginning of year	**109,025**	283,777
Capital contributions received during the year	**9,196**	93,885
Amortization for the year	**(51,045)**	(268,637)
Balance, end of year	**67,176**	109,025

In fiscal 2011, the variation in amortization for the year is due to the leasehold improvements being fully amortized last fiscal year.

7. **Commitments**

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. Other lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	$
2012	194,998
2013	228,383
2014	263,320
2015	249,632
2016	187,224

The LHIN also has funding commitments to all HSPs associated with accountability agreements allocating planning targets for future fiscal years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

8. **Capital assets**

			2011	2010
	Cost	**Accumulated amortization**	**Net book value**	Net book value
	$	**$**	**$**	$
Office equipment, furniture and fixtures	**146,718**	**109,671**	**37,047**	55,774
Computer equipment	**36,675**	**29,266**	**7,409**	7,812
Web development	**68,160**	**45,440**	**22,720**	45,439
Leasehold improvements	**880,162**	**880,162**	**-**	-
	1,131,715	**1,064,539**	**67,176**	109,025

Mississauga Halton Local Health Integration Network

Notes to the financial statements

March 31, 2011

9. Budget figures

The initial funding budget figures reported in the Statement of Financial Activities reflect the opening base as at April 1, 2010 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of $1,249,033,864 as at March 31, 2011 is made up of the following:

	$
Initial HSP funding budget as at April 1, 2010	1,127,016,430
Adjustments due to announcements made during the year	122,017,434
Final HSP funding budget	1,249,033,864

The final operating budget excluding HSP funding of $5,997,293 as at March 31, 2011 is made up of the following:

	$
Initial budget as at April 1, 2010	
LHIN operations	4,268,293
French Language Services	100,000
Aboriginal engagement	5,000
Additional funding received during the year for:	
Base increase in LHIN operation	64,000
E-Health PMO	600,000
Other E-Health Project Initiatives	700,000
ED Lead	75,000
ER/ALC Performance Lead	100,000
French Language Services (base increase $6,000 and one-time $4,000)	10,000
Critical Care Lead	75,000
Final budget	5,997,293

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. General and administrative expenses LHIN operation

The Statement of Financial Activities presents the expenses by function. The following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	2,952,972	2,822,350
Occupancy	218,591	213,782
Amortization	51,045	268,637
Shared services	404,926	359,059
LHIN Collaborative	50,000	12,286
Integrated Health Service Plan	-	96,655
Engagement with Stakeholders	33,556	136,378
Professional fees	15,950	20,793
Supplies	37,843	37,292
Board members' per diem expenses (see Note 10a)	128,300	167,300
Board development	24,602	15,619
Mail, courier and telecommunications	37,271	54,273
Staff travel	15,801	19,382
Recruitment	12,565	330
Other	108,797	162,184
	4,092,219	4,386,320

a) Included in general and administrative expenses are costs to support the activities of the Board of Directors such as per diems, travel and other general costs. The expenses incurred are as follows:

	2011	2010
	$	$
Board Chair per diem expense	56,875	58,450
Other Board member per diem expense	71,425	108,850
	128,300	167,300
Other governance costs (reflected in various objects above)	23,080	60,050
	151,380	227,350

In Fiscal 2011, other governance costs reflect a change in estimate regarding a payroll liability. The total other governance costs would have been $54,100 without this change in estimate.

11. Consulting fees for LHIN operations

Within the Integrated Health Service Plan, Engagement with Stakeholders, Recruitment, Professional fees and Other itemized in Note 10, approximately $3,432 (2010 - $185,839) were procured through consultants as defined by the Broader Public Sector Procurement Directive set by the Ministry of Finance. Consulting services are the provision of expertise or strategic advice that is presented for consideration and decision-making. The comparative figure has been reclassified to conform to this directive as adopted in the current year.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

12. **Other funding initiatives**

a) **E-Health Project Management Office (PMO)**

The E-Health office of the Ministry of Health and Long-Term Care provided one-time funding of $600,000 (2010 - $600,000) to the LHIN. The funds were used to cover the operational and project costs associated with the LHIN Project Management Office infrastructure and E-Health Ontario activities. During the year, $478,423 (2010 - $597,076) of expenses were incurred.

b) **Other E-Health Project Initiatives**

The E-Health office of the Ministry of Health and Long-Term Care provided one-time funding of $700,000 (2010 - nil) to the LHIN to support the following initiatives:

	$
Physician eReferral	300,000
Physician - Patient Electronic Communications	150,000
LHIN eHealth Governance Development Project	50,000
LHIN Information System/Information Technology Infrastructure (IS/IT) Blueprint and Shared IS/IT Services Model	200,000
Total other E-Health Project Initiatives	700,000

The purpose of the funds was to engage physicians in e-Health, support the new Physician Electronic Medical Record (EMR) adoption program within the LHIN, develop a common patient information record across Central West LHIN and the Mississauga Halton LHIN region. During the year, $215,434 (2010 - nil) of expenses were incurred relating to these projects.

c) **Emergency Department (ED) Lead**

The Ministry of Health and Long-Term Care provided $75,000 (2010 - $75,000) of one-time funding to support the compensation of the Emergency Department LHIN Lead and other miscellaneous consulting expenses to the LHIN. During the year, $69,435 (2010 - $60,505) of expenses were incurred.

d) **ER/ALC Performance Lead**

The Ministry of Health and Long-Term Care provided one-time funding of $100,000 (2010 - $100,000) relating to the LHIN ER/ALC Performance Lead initiative. The one-time funding to assist the LHIN in achieving its ER/ALC outcomes and advance the implementation of a standard performance management approach for the ER/ALC strategy such that the LHIN and MOHLTC m can monitor progress regularly. During the year, $98,072 (2010 - $100,000) of expenses were incurred.

e) **French Language Health Services**

The Ministry of Health and Long-Term Care provided a base funding of $106,000 in fiscal 2011 to support the francophone community needs within the LHIN and received $4,000 in one-time funding for start up costs during this year for this initiative for a total of $110,000 (2010 - $162,100). During the year, 108,000 (2010 - $63,633) of expenses were incurred.

f) **Critical Care Lead**

The Ministry of Health and Long-Term Care provided one-time funding of $75,000 (2010 - nil) to support the compensation of the Critical Care Lead and other miscellaneous consulting expenses. The funding will advance the implementation of a comprehensive Critical Care Strategy, which is designed to improve access, quality and system integration. During the year, $42,000 (2010 - nil) of expenses were incurred.

Mississauga Halton Local Health Integration Network

Notes to the financial statements
March 31, 2011

12. Other funding initiatives (continued)

g) Aboriginal Engagement

The Ministry of Health and Long-Term Care provided base operational funding of $5,000 (2010 - $5,000) to the LHIN for the purposes of engaging the Aboriginal population and organizations in the Mississauga Halton LHIN. During the year, $3,717 (2010 - $2,227) of expenses were incurred.

13. Consulting fees - other funding initiatives

The amount of consulting expenses in other funding initiatives that were procured through consultants as defined by the Broader Public Sector Procurement Directive set by the Ministry of Finance were the following:

	2011	2010
	$	$
E-Health (PMO) and other E-Health initiatives	111,834	83,000
ED Lead	69,435	60,505
Critical Care	42,000	-
	223,269	143,505

14. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 28 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $294,425 (2010 - $263,783) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan on December 31, 2010. At that time, the plan was fully funded. The prior year's comparative amounts have been reclassified to conform to the presentation adapted by the current year.

15. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

555 Oak Street East, 3rd Floor
North Bay, ON P1B 8E3
Tel: 705 840-2872
Toll Free: 1 866 906-5446
Fax: 705 840-0142
www.nelhin.on.ca

555, rue Oak Est, 3e étage
North Bay, ON P1B 8E3
Téléphone : 705 840-2872
Sans frais : 1 866 906-5446
Télécopieur : 705 840-0142
www.rlissne.on.ca

North East **LHIN**
RLISS du Nord-Est

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the North East Local Health Integration Network (NE LHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Louise Paquette
CEO

Ryan Jeffers
Controller/Corporate Services Manager

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North East Local Health Integration Network

We have audited the accompanying financial statements of the North East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2011, and the results of its financial activities, change in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 31, 2011

North East Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	813,944	698,735
Due from the LHIN Shared Services Office (Note 3)	1,632	4,969
Accounts receivable	67,719	-
HST Receivable	109,806	-
Due from MOHLTC-Other	-	235,000
Due from MOHLTC-Health Service Providers ("HSP")	20,697,997	4,113,341
	21,691,098	5,052,045
Liabilities		
Accounts payable and accrued liabilities	633,563	641,712
Due to MOHLTC (10b)	360,216	296,992
Due to Health Service Providers ("HSP")	20,697,997	4,113,341
Deferred capital contributions (Note 4)	226,144	215,190
	21,917,920	5,267,235
Net debt	(226,822)	(215,190)
Non-financial assets		
Prepaid expenses	678	-
Capital assets (Note 5)	226,144	215,190
	226,822	215,190
Accumulated surplus	-	-

Approved by the Board

Peter Vaudry Director

Director

North East Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (unaudited) (Note 6)	Actual	Actual
	$	$	$
Revenues			
MOHLTC funding			
HSP transfer payments (Note 7)	1,221,145,343	1,334,539,486	1,240,203,544
Operations of LHIN	4,928,982	4,919,443	4,684,155
e-Health (Note 9a)	600,000	600,000	600,000
e-Health Project Funding (Note 9b)	110,000	110,000	200,000
French Language Health Service (Note 9c)	186,400	209,900	-
Francophone Community Engagement (Note 9d)	-	186,400	-
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9e)	-	229,040	-
Emergency Department Lead (Note 9f)	-	75,000	60,000
Critical Care Lead (Note 9g)	-	75,000	-
Aboriginal Engagement (Note 9h)	100,000	100,000	100,000
Aboriginal Health Transfer Fund (Note 9i)	146,590	146,590	238,874
Emergency Room/Alternate Level of Care (Note 9j)	-	100,000	100,000
Diabetes Strategy	-	-	65,000
Diabetes: Self-Management	-	-	35,000
Amortization of deferred capital contributions (Note 4)	53,250	72,485	243,602
	1,227,270,565	1,341,363,344	1,246,530,175
Expenses			
Transfer payments to HSPs (Note 7)	1,221,145,343	1,334,539,486	1,240,203,544
General and administrative (Note 8)	4,928,982	4,706,974	4,679,829
e-Health (Note 9a)	600,000	600,000	596,734
e-Health Project Funding (Note 9b)	110,000	76,977	200,000
French Language Health Service (Note 9c)	186,400	171,738	-
Francophone Community Engagement (Note 9d)	-	118,681	-
Réseau du mieux-être francophone du Nord de l'Ontario (Note 9e)	-	229,040	-
Emergency Department Lead (Note 9f)	-	69,000	60,000
Critical Care Lead (Note 9g)	-	72,157	-
Aboriginal Engagement (Note 9h)	100,000	100,000	100,000
Aboriginal Health Transfer Fund (Note 9i)	146,590	146,590	58,632
Emergency Room/Alternate Level of Care (Note 9j)	-	100,000	100,000
Diabetes Strategy	-	-	65,000
Diabetes: Self-Management	-	-	8,800
Amortization of capital assets	53,250	72,485	243,602
	1,227,270,565	1,341,003,128	1,246,316,141
Annual surplus before repayable to MOHLTC	-	360,216	214,034
Funding repayable to MOHLTC (Note 10a)	-	(360,216)	(214,034)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	2011	2010
	$	$
Annual surplus		
Acquisition of tangible capital assets	(83,439)	(244,826)
Amortization of tangible capital assets	72,485	243,602
Increase in prepaid expenses	(678)	-
Increase in net debt	(11,632)	(1,224)
Opening net debt	(215,190)	(213,966)
Closing net debt	(226,822)	(215,190)

North East Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Items not affecting cash		
Amortization of capital assets	**72,485**	243,602
Amortization of deferred capital contributions (Note 4)	**(72,485)**	(243,602)
Changes in non-cash working capital		
Decrease (Increase) in due to/from the LHIN Shared Services Office	**3,337**	(27,073)
Increase in accounts receivable	**(67,719)**	-
Increase in HST Receivable	**(109,806)**	-
Decrease (Increase) in due from MOHLTC-Other	**235,000**	(235,000)
Increase in due from MOHLTC-Health Service Providers	**(16,584,656)**	(411,741)
Increase in Prepaid expenses	**(678)**	-
Decrease in accounts payable and accrued liabilities	**(8,149)**	(176,237)
Increase in due to MOHLTC	**63,224**	168,660
Increase in due to Health Service Providers	**16,584,656**	411,741
	115,209	(269,650)
Capital transactions		
Acquisition of capital assets	**(83,439)**	(244,826)
Financing transactions		
Increase in deferred capital contributions (Note 4)	**83,439**	244,826
Net increase (decrease) in cash	**115,209**	(269,650)
Cash, beginning of year	**698,735**	968,385
Cash, end of year	**813,944**	698,735

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The North East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the area of Northeastern Ontario. The LHIN enters into service accountability agreements with service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of tangible assets and losses in the value of assets.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as tangible capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed tangible capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the tangible capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired and brought into use during the year, amortization is provided for a full year.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the LHIN Collaborative (LHINC) are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs, are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portions of the LSSO/LHINC operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable from (payable to) the LSSO/LHINC. This is all done pursuant to the agreement the LSSO/LHINC has with all the LHINs.

4. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	215,190	213,966
Capital contributions received	83,439	244,826
Amortization	(72,485)	(243,602)
Balance, end of year	226,144	215,190

5. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Furniture and fixtures	134,743	83,272	51,471	5,398
Computer equipment	96,622	95,344	1,278	8,965
Leasehold improvements	985,125	811,730	173,395	200,827
	1,216,490	990,346	226,144	215,190

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

6. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the statement of financial activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of $1,334,539,486 is made up of the following:

	$
Initial HSP Funding budget	1,221,145,343
Adjustment due to announcements made during the year	113,394,143
Total HSP Funding budget	1,334,539,486

The total operating budget of $6,834,812 is made up of the following:

	$
Initial budget	6,071,972
Additional funding received during the year	762,840
Total budget	6,834,812

7. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of $1,334,539,486 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2011	2010
	$	$
Operation of Hospitals	865,514,596	787,852,105
Grants to compensate for Municipal Taxation - Public Hospitals	211,950	254,475
Long Term Care Homes	182,523,879	177,584,058
Community Care Access Centres	106,197,563	100,772,313
Community Support Services	25,190,467	23,232,856
Acquired Brain Injury	2,170,491	1,741,573
Assisted Living Services in Supportive Housing	11,098,349	9,908,082
Community Health Centres	15,775,767	14,053,035
Community Mental Health	49,947,087	48,266,691
Substance Abuse & Problem Gambing	20,440,417	19,576,342
Specialty Psychiatric Hospitals	55,448,895	56,946,864
Grants to compensate for Municipal Taxation - Psychiatric Hospitals	20,025	15,150
	1,334,539,486	1,240,203,544

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2011, an amount of $20,697,997 (2010 - $4,113,341) was receivable from the MOHLTC and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of financial activities and are included in the table above.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. General and administrative expenses

The statement of financial activities presents the expenses by function; the following classifies these same expenses by object:

	2011	2010
	$	$
Salaries and wages	**2,671,788**	2,421,825
HOOPP	**252,040**	222,485
Other benefits	**279,041**	275,298
Staff travel	**190,375**	193,788
Governance travel	**55,156**	83,021
Communications	**93,224**	76,374
Accommodation	**171,625**	161,681
Advertising	**18,092**	10,241
Banking	**5**	5
Consulting fees	**67,270**	234,161
Equipment rentals	**16,085**	17,236
Board Chair per diems	**68,738**	67,008
Other Governance per diems	**29,532**	52,898
Insurance	**17,307**	15,930
LHIN Shared Services Office	**409,495**	362,715
LHIN Collaborative	**50,000**	12,285
Other meeting expenses	**36,987**	31,526
Other governance expenses	**40,991**	78,082
Printing and translation	**68,855**	56,312
Staff development	**20,778**	71,084
IT equipment	**40,544**	73,408
Office supplies and equipment	**59,254**	68,558
Other	**49,792**	93,908
	4,706,974	4,679,829

9. a) e-Health expense

The e-Health office of the Ministry of Health and Long-Term Care provided $600,000 to the LHIN. The LHIN has four permanent full-time staff to run a Project Management Office related to e-Health. In addition to covering the staff costs, the LHIN also incurred costs related to projects this group is responsible for. The total amount of expenses the LHIN incurred related to e-Health was $600,000.

b) e-Health Project Funding

The e-Health office of the Ministry of Health and Long-Term Care provided $110,000 to the LHIN related to the Implementation and Adoption Readiness project. A contract had previously been setup between the LHIN and the North Bay General Hospital to support this project. In 2010/11 the LHIN incurred expenses of $76,977 related to this project.

c) French Language Health Services (FLHS)

The LHIN received $209,900 ($12,000 one-time, $197,900 pro-rated base) from the Ministry of Health and Long-Term care to support the start-up and implementation of the French Language Health Services program. With these funds the LHIN hired three full-time staff to work on this file. The total amount of expenses incurred related to FLHS was $171,738.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. d) **Francophone Community Engagement**

The Ministry of Health and Long-Term Care in 2009/10 announced one-time funding of $186,400 so support Francophone Community Engagement activities. The LHIN made a formal request to have these funds moved into 2010/11 and the carry forward was granted. A contract was entered with Smooth Rock Falls Hospital to complete this engagement, the total value of the contract was $186,400. Actual funds spent were $118,681, resulting in a surplus of $67,719.

e) **Réseau du mieux-être francophone du Nord de l'Ontario**

The LHIN received $229,040 ($30,000 one-time, $199,040 pro-rated base) from the Ministry of Health and Long-Term Care to fund the start-up and operation of the Réseau du mieux-être francophone du Nord l'Ontario for the period of January 1, 2011 – March 31, 2011. Total funds flowed in 2010/11 were $229,040.

f) **Emergency Department Lead (ED Lead)**

The Ministry of Health and Long Term Care announced they would be providing the LHIN an additional $75,000 in one-time funding to (a) pay the LHIN ED Lead $6,000 per month as well as (b) money to reimburse the LHIN ED Lead for any expenses. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2010/11 are $69,000.

g) **Critical Care Lead (CC Lead)**

The Ministry of Health and Long Term Care announced they would be providing the LHIN an additional $75,000 in one-time funding to (a) pay the LHIN CC Lead $6,000 per month as well as (b) money to reimburse the LHIN ED Lead for any expenses. The LHIN contracted an area physician as the ED Lead; total monies paid out in 2010/11 are $72,157.

h) **Aboriginal Engagement**

The Ministry of Health and Long Term Care provided an additional $100,000 in base funding for the purposes of engaging the Aboriginal population and organizations with the North East LHIN. The total amount of expenses paid using this funding was $100,000.

i) **Aboriginal Health Transfer Funding (AHTF)**

A formal request to have $146,590 from 2009/10 carried forward into 2010/11 was approved by the Ministry of Health and Long Term Care. Total expenses incurred during 2010/11 related to AHTF were $146,590.

j) **Emergency Room/Alternate Level of Care**

The Ministry of Health and Long Term Care provided $100,000 in one-time funding to help the LHIN in supporting the North East ER/ALC Performance Lead, this amount was spent in full.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC is made up of the following components:

	Revenue	Expenses	Surplus
	$	$	$
Transfer payments to HSPs	1,334,539,486	1,334,539,486	-
LHIN operations	4,919,443	4,706,974	212,469
Amortization of capital assets	72,485	72,485	-
E-Health	600,000	600,000	-
E-Health Project Funding	110,000	76,977	33,023
French Language Health Service	209,900	171,738	38,162
Francophone Community Engagement	186,400	118,681	67,719
Réseau du mieux-être francophone du Nord l'Ontario	229,040	229,040	-
Emergency Department Lead	75,000	69,000	6,000
Critical Care Lead	75,000	72,157	2,843
Aboriginal Engagement	100,000	100,000	-
Aboriginal Health Transfer Funding	146,590	146,590	-
Emergency Roon/Alternate Level of Care	100,000	100,000	-
	1,341,363,344	1,341,003,128	360,216

b. The amount due to the MOHLTC is made up of the following components:

	2011	2010
	$	$
Opening balance	296,992	128,332
In-Year funds repayable to MOHLTC	14,500	
Funding recovered by the MOHLTC	(164,902)	-
Funding allowed to be carried into 2011	(146,590)	(45,374)
Funding repayable to the MOHLTC (Note 10A)	360,216	214,034
Closing balance	360,216	296,992

11. Pension agreements

The LHIN makes contributions to the Healthcare of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 35 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $252,040 (2010 - $222,485) for current service costs and is included as an expense in the statement of financial activities. The last actuarial valuation was completed for the plan as at December 31, 2010. At that time the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in the favor of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

North East Local Health Integration Network

Notes to the financial statements
March 31, 2011

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. One of the building leases expire on May 31, 2011 and therefore commitments for this building lease beyond that date are not included below. The LHIN is currently negotiating a lease renewal for this building and it is anticipated the new lease will contain similar terms to the existing lease. Minimum lease payments due in each of the next five years are as follows:

	$
2012	234,780
2013	234,057
2014	224,094
2015	160,786
2016	40,197

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2011 the LHIN had signed Accountability Agreements with all Hospitals and Community Agencies for the next two years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

14. Comparative Figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

Tel: 705 326-7750
Toll Free: 1 866 903-5446
Fax: 705 326-1392
www.nsmlhin.on.ca

Téléphone : 705 326-7750
Sans frais : 1 866 903-5446
Télécopieur : 705 326-1392
www.nsmlhin.on.ca

North Simcoe Muskoka LHIN

RLISS de Simcoe Nord Muskoka

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and Public Sector Accounting Board (PSAB) standards.

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Finance & Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LLP, independent external auditors appointed by the Board of Directors.

Bernie Blais
CEO

May 30, 2011
Date

Bernadette Van Oosten
Bernadette Van Oosten
Controller

May 30, 2011
Date

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North Simcoe Muskoka Local Health Integration Network

We have audited the accompanying financial statements of the North Simcoe Muskoka Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North Simcoe Muskoka LHIN as at March 31, 2011, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 30, 2011

North Simcoe Muskoka Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**683,181**	912,595
Due from Ministry of Health and Long-Term Care ("MOHLTC")	**-**	187,000
Due from MOHLTC ("HSPs")	**2,876,506**	564,034
HST Receivable	**98,141**	-
Due from LHIN Shared Services Office (Note 4)	**-**	11,964
	3,657,828	1,675,593
Liabilities		
Accounts payable and accrued liabilities	**645,108**	998,401
Due to MOHLTC (Note 3b)	**68,382**	49,163
Due to Health Service Providers ("HSPs")	**2,876,506**	564,034
Due to the LHIN Shared Services Office and LHIN Collaborative (Note 4)	**36,779**	138
Deferred Revenue	**31,053**	63,857
Deferred capital contributions (Note 5)	**190,392**	210,465
	3,848,220	1,886,058
Commitments (Note 6)		
Net debt	**(190,392)**	(210,465)
Non-financial assets		
Capital assets (Note 7)	**190,392**	210,465
Accumulated surplus	**-**	-

Approved by the Board

R J Rosen. Director

L. Anne Gagné Director

North Simcoe Muskoka Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	691,614,637	736,024,967	694,467,511
HSP capital payments (Note 10)	-	1,757,249	1,829,672
Operations of LHIN	4,370,155	4,306,193	4,056,690
LHIN Operations Special Funding (Note 11)	418,527	1,765,084	1,186,143
Amortization of deferred capital contributions (Note 5)	-	84,036	342,604
	696,403,319	743,937,529	701,882,620
Expenses			
Transfer payments to HSPs (Note 9)	691,614,637	736,024,967	694,467,511
Capital payments to HSPs (Note 10)	-	1,757,249	1,829,672
General operating expenses (Note 12)	4,370,155	4,367,337	4,398,066
LHIN Operations Special Funded Initiatives (Note 11)	418,527	1,582,376	1,134,001
	696,403,319	743,731,929	701,829,250
Annual surplus before funding repayable to the MOHLTC	-	(205,600)	(53,370)
Funding repayable to the MOHLTC (Note 3a)	-	205,600	53,370
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North Simcoe Muskoka Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

		2011	2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Annual surplus			
Acquisition of capital assets	-	**(63,963)**	(248,864)
Amortization of capital assets	-	**84,036**	342,604
Change in other non-financial assets	-	**-**	14,224
Decrease in net debt	-	**20,073**	107,964
Opening net debt	-	**(210,465)**	(318,429)
Closing net debt	-	**(190,392)**	(210,465)

North Simcoe Muskoka Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	**84,036**	342,604
Amortization of deferred capital contributions (Note 5)	**(84,036)**	(342,604)
	-	-
Changes in non-cash operating items		
Decrease in prepaid expenses	-	14,224
(Increase) decrease in due from MOHLTC	**(2,125,472)**	23,566
Decrease (increase) in due from LHIN Shared Services Office	**11,964**	(11,964)
Increase in HST receivable	**(98,141)**	-
(Decrease) increase in accounts payable and accrued liabilities	**(353,293)**	46,950
Increase in due to the MOHLTC	**19,219**	48,370
Increase (decrease) in due to HSPs	**2,312,472**	(210,566)
Increase (decrease) in due to the LHIN shared Services and LHIN Collaborative Office	**36,641**	(13,970)
(Decrease) increase in deferred revenue	**(32,804)**	63,857
	(229,414)	(39,533)
Capital Investment		
Acquisition of capital assets	**(63,963)**	(248,864)
Financing transactions		
Capital contributions received (Note 5)	**63,963**	248,864
Net decrease in cash	**(229,414)**	(39,533)
Cash, beginning of year	**912,595**	952,128
Cash, end of year	**683,181**	912,595

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The North Simcoe Muskoka Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the Local Health System Integration Act, 2006 (the "Act") as the North Simcoe Muskoka Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the Ministry of Health and Long-Term Care ("MOHLTC") and provides the framework for the LHIN accountabilities and activities. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP ("Health Service Provider"). The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the municipalities of Muskoka, most of Simcoe County and part of Grey County. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, and they are measurable. Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets, and losses in the value of assets.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and the reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Funding payments to Health Service Providers in the LHIN geographic area flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSPs") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

Deferred capital contributions

Any amounts received that are used to fund capital asset purchases, are recorded as deferred capital contributions and are recognized over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Tangible capital assets are amortized over their estimated useful lives as follows:

Computer equipment and development	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office furniture and equipment	5 years straight-line method

For assets acquired or bought into use during the year, amortization is provided for a full year.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Segmented disclosures

Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information of all appropriate segments and, therefore, no additional disclosure is required.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2011 Surplus	2010 Surplus
	$	$	$	$
LHIN operations	4,390,229	4,367,337	22,892	1,228
e-Health PMO	600,000	589,495	10,505	786
ICT - e-Health Framework Project	220,000	220,000	-	254
www.ufirst.cc - e-Health Project	84,000	74,862	9,138	40
Ontario LHINs Privacy Project	166,000	65,527	100,473	35,000
Aboriginal Planning	30,000	30,000	-	-
Behavioural Support Systems	75,000	75,000	-	-
Critical Care Lead	75,000	72,750	2,250	-
Emergency Department Lead	75,000	71,155	3,845	14,208
ER/ALC Performance Lead	100,000	100,000	-	-
Francophone Community Engagement	63,857	20,640	43,217	-
French Language Health Services	74,670	61,390	13,280	-
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	201,557	201,557	-	-
Self-Management Capacity Building	-	-	-	1,854
	6,155,313	5,949,713	205,600	53,370

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. **Funding repayable to the MOHLTC (continued)**

b. The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	**49,163**	793
Funding repaid to MOHLTC during the current year	**(186,381)**	(5,000)
Funding repayable to the MOHLTC related to current year activities (Note 3a)	**205,600**	53,370
Due to MOHLTC, end of year	**68,382**	49,163

4. **Related party transactions**

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs, is responsible for providing services to all LHINs. The full costs of providing these services are billed to all of the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

LHIN Collaborative (LHINC) was formed in fiscal 2010 as a LHIN-led service to strengthen relationships between and among health service providers. LHINC is accountable to the LHINs, and funded by the LHINs with support from the Ministry of Health and Long-Term Care.

5. **Deferred capital contributions**

	2011	2010
	$	$
Balance, beginning of year	**210,465**	304,205
Capital contributions received during the year	**63,963**	248,864
Amortization for the year	**(84,036)**	(342,604)
Balance, end of year	**190,392**	210,465

North Simcoe Muskoka Local Health Integration Network
Notes to the financial statements
March 31, 2011

6. Commitments

The LHIN has commitments under various operating leases expiring at dates up to 2014 related to building and equipment. Lease renewals are likely. Minimum lease payments due over the remaining terms of these leases are as follows:

	$
2012	101,666
2013	101,397
2014	98,431

The LHIN also has funding commitments to certain HSPs associated with accountability agreements. Minimum annual commitments to HSPs, based on the current accountability agreements as follows:

	$
Operation of hospitals	**370,073,503**
Grants to compensate for municipal taxation - public hospitals	**77,625**
Long term care homes	**119,846,628**
Community care access centres	**74,272,517**
Community support services	**11,526,139**
Assisted living services in supportive housing	**5,950,678**
Community health centres	**8,737,760**
Community mental health	**22,668,261**
Addictions program	**3,969,783**
Specialty psychiatric hospitals	**103,775,200**
Grants to compensate for municipal taxation - psychiatric hospitals	**23,400**
Acquired brain injury	**1,145,214**
	722,066,708

The actual amounts which will ultimately be paid are contingent upon LHIN funding received by the MOHLTC.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Office furniture and equipment	452,102	314,120	137,982	202,286
Computer equipment	151,240	138,030	13,210	8,179
Leasehold improvements	936,349	897,149	39,200	-
	1,539,691	1,349,299	190,392	210,465

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported on the Statement of Financial Activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of $736,187,374 is made up of the following:

	$
Initial budget	691,614,637
Adjustment due to announcements made during the year	44,572,737
Total budget	736,187,374

The total revised operating budget of $6,135,239 is made up of the following:

	$
Initial budget as reported on the statement of financial activities	4,788,682
Additional funding received during the year for:	
eHealth PMO	600,000
Ontario LHINs Privacy Project	166,000
ICT - e-Health Framework Project	220,000
www.ufirst.cc - e-Health Project	84,000
Critical Care Lead	75,000
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	201,557
Total budget	6,135,239

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $736,024,967 (2010 - $694,467,511) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	**384,229,083**	364,199,298
Grants to compensate for municipal taxation - public hospitals	**77,625**	77,625
Long term care homes	**118,110,631**	110,435,817
Community care access centres	**76,378,367**	69,782,223
Community support services	**12,081,422**	10,878,015
Assisted living services in supportive housing	**5,668,756**	5,412,834
Community health centres	**7,587,106**	4,250,477
Community mental health	**22,594,107**	22,080,458
Addictions program	**3,910,662**	3,524,808
Specialty psychiatric hospitals	**104,218,594**	102,858,897
Grants to compensate for municipal taxation - psychiatric hospitals	**23,400**	23,400
Acquired brain injury	**1,145,214**	943,659
	736,024,967	694,467,511

10. Capital payments to HSPs

The allocation represents the approved LHIN allocation to support grants for public and specialty psychiatric hospitals in 2009/10 under the 2009/10 Health Infrastructure Renewal Fund (HIRF), and in accordance with 2009/10 HIRF Guidelines which the ministry has provided to LHINs.

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. LHIN Operations Special Funding

The LHIN received additional operational funding for special initiatives during the year as follows:

	2011	2010
	$	$
e-Health PMO	**600,000**	600,000
Information & Community Technology (ITC) - e-Health Framework	**220,000**	80,000
www.ufirst.cc - Physician and Specialist eReferral System	**84,000**	37,000
Ontario LHINs Privacy Project	**166,000**	35,000
Aboriginal Planning	**30,000**	30,000
Behavioural Support Systems	**75,000**	165,000
Critical Care Lead	**75,000**	-
Emergency Department Lead	**75,000**	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead	**100,000**	100,000
Francophone Community Engagement	**63,857**	4,143
French Language Health Services	**74,670**	-
Entite de planification des services de sante en francais #4 Centre Sud-Ouest	**201,557**	-
Ontario Diabetes Strategy	**-**	25,000
Self-Management Capacity Building	**-**	35,000
	1,765,084	1,186,143

a) *e-Health PMO*

The LHIN received funding of $600,000 (2010 - $600,000) related to the e-Health PMO. E-Health expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	**436,360**	420,040
Occupancy	**26,102**	28,229
Shared services	**47,933**	51,816
Consulting services	**14,640**	32,234
Other services	**14,108**	15,654
Supplies, equipment and licences	**35,026**	35,955
Travel	**7,644**	7,654
Mail, courier and telecommunications	**7,682**	7,632
	589,495	599,214

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. LHIN Operations Special Funding (continued)

b) *Information and Community Technology (ITC) - e-Health Framework*

The LHIN received funding of $220,000 (2010 - $80,000) related to the ITC - e-Health Framework Project. Expenses incurred during the year for this project are as follows:

	2011	2010
	$	$
Salaries and benefits	-	10,796
Advertising and public relations	-	3,780
Consulting services	220,000	61,060
Other services	-	3,626
Supplies, equipment and licences	-	321
Mail, courier and telecommunications	-	162
	220,000	79,746

c) *www.ufirst.cc - Physician and Specialist eReferral System*

The LHIN received funding of $84,000 (2010 - $37,000) related to the www.ufirst.cc - Physician and Specialist eReferral System Project. Expenses incurred during the year for this project are as follows:

	2011	2010
	$	$
Consulting services	74,862	36,960

d) *Ontario LHINs Privacy Project*

The LHIN received funding of $166,000 (2010 - $35,000) related to the e-Health Ontario LHINs Privacy Project. Expenses incurred during the year for this project are as follows:

	2011	2010
	$	$
Consulting services	65,527	-

e) *Aboriginal Planning*

The LHIN received funding of $30,000 (2010 - $30,000) related to the Aboriginal Planning initiative. Aboriginal Planning expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	-	14,460
Travel	-	540
Special project expenditures	30,000	15,000
	30,000	30,000

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. LHIN Operations Special Funding (continued)

f) *Behavioural Support Systems*

The LHIN received funding of $75,000 (2010 - $165,000) related to Behavioural Support Systems. Expenses incurred during the year for this project are as follows:

	2011	2010
	$	$
Special project expenditures	75,000	165,000

g) *Critical Care Lead*

The LHIN received funding of $75,000 (2010 – $NIL) related to the Critical Care Lead initiative. Critical care Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	72,750	-

h) *Emergency Department Lead*

The LHIN received funding of $75,000 (2010 - $75,000) related to the Emergency Department Lead initiative. Emergency Department Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	69,000	60,000
Travel	2,119	-
Mail, courier and telecommunications	36	792
	71,155	60,792

i) *ER/ALC Performance Lead*

The LHIN received funding of $100,000 (2010 - $100,000) related to the ER/ALC Performance Lead initiative. Expenses incurred during the year for this project are as follows:

	2011	2010
	$	$
Salaries and benefits	97,877	89,648
Other services	730	3,698
Supplies, equipment and licences	-	784
Travel	642	4,853
Mail, courier and telecommunications	751	1,018
	100,000	100,000

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements

March 31, 2011

11. LHIN Operations Special Funding (continued)

j) Francophone Community Engagement

The LHIN received funding of $63,857 (2010 - $4,143) related to Francophone Community Engagement. Expenses incurred during the year for this initiative are as follows:

	2011	2010
	$	$
Salaries and benefits	14,347	-
Other services	6,293	4,143
	20,640	4,143

k) French Language Health Services

The LHIN received funding of $74,670 (2010 - $Nil) related to French Language Health Services. Expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	56,989	-
Other services	139	-
Supplies, equipment and licences	2,898	-
Travel	984	-
Mail, courier and telecommunications	380	-
	61,390	-

l) Entite de planification des services de sante en francais #4 Centre Sud-Ouest

The LHIN received funding of $201,557 (2010 - $Nil) related to the Entite de planification des services de sante en francais #4 Centre Sud-Ouest. Expenses incurred during the year for this initiative are as follows:

	2011	2010
	$	$
Special project expenditures	201,557	-

m) Ontario Diabetes Strategy

The LHIN received funding of $Nil (2010 - $25,000) related to the Ontario Diabetes Strategy. Expenses incurred during the year for this strategy are as follows:

	2011	2010
	$	$
Salaries and benefits	-	25,000

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. LHIN Operations Special Funding (continued)

n) Self-Management Capacity Building

The LHIN received funding of $Nil (2010 - $35,000) related to Self-Management Capacity Building. Expenses incurred during the year for this initiative are as follows:

	2011	2010
	$	$
Other services	-	2,912
Supplies, equipment and licences	-	29,395
Travel	-	839
	-	33,146

12. General operating expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general operating expenses, by object:

	2011	2010
	$	$
Salaries and benefits	2,921,819	2,399,026
Occupancy	169,660	176,813
Amortization	84,036	342,604
Shared services	394,562	323,184
Advertising and public relations	7,676	21,972
Consulting services	287,225	513,877
Other services	223,799	236,169
Supplies, equipment and licences	63,873	152,271
Board expenses	119,634	129,045
Travel	48,833	52,804
Mail, courier and telecommunications	46,220	50,301
	4,367,337	4,398,066

Board expenses included in general operating expenses above include per diem costs and other Board expenses as follows:

	2011		2010
	Budget	Actual	Actual
	$	$	$
Board Chair per diem cost	70,000	54,600	73,150
Directors per diem cost	75,000	40,600	32,900
Board expenses	55,000	24,434	22,995
	200,000	119,634	129,045

North Simcoe Muskoka Local Health Integration Network

Notes to the financial statements
March 31, 2011

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 28 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $258,386 (2010 - $217,414) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2010. At that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

975 Alloy Drive, Suite 201
Thunder Bay, ON P7B 5Z8
Tel: 807 684-9425 • Fax: 807 684-9533
Toll Free: 1 866 907-5446
www.northwestlhin.on.ca

North West **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the North West Local Health Integration Network (NWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Laura Kokocinski
CEO

Chris Wcislo
Controller

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
North West Local Health Integration Network

We have audited the accompanying financial statements of North West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statement of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of North West Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 28, 2011

North West Local Health Integration Network
Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**668,646**	2,068,416
Due from Ministry of Health and Long Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	**5,149,305**	555,356
Due from MOHLTC - Internal LHIN Project Funding	-	90,000
Accounts receivable	**102,093**	-
Due from HNHB LHIN	-	12,057
	5,920,044	2,725,829
Liabilities		
Accounts payable and accrued liabilities	**571,855**	1,064,569
Due to HSPs (Note 9)	**5,149,305**	555,356
Due to MOHLTC (Note 3)	**203,112**	1,110,536
Due to the LHIN Shared Services Office (Note 4)	**1,784**	1,971
Deferred capital contributions (Note 5)	**389,100**	99,613
	6,315,156	2,832,045
Commitments (Note 6)		
Net debt	**(395,112)**	(106,216)
Non-financial assets		
Capital assets (Note 7)	**389,100**	99,613
Prepaid expenses	**6,012**	6,603
Accumulated surplus	-	-

Approved by the Board

Janice Dell A. Beasley Director

L. Jay Warkentin Director

North West Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	Budget (unaudited) (Note 8)	2011 Actual	2010 Actual
	$	$	$
Revenue			
MOHLTC funding			
HSPs transfer payments (Note 9)	546,111,700	587,667,411	567,492,550
Operations of LHIN	4,956,792	4,806,240	4,864,099
Aboriginal Community Engagement (Note 11)	160,000	160,000	160,000
E-Health (Note 12)	600,000	760,000	655,000
Emergency Department ("ED") LHIN Lead (Note 13)	-	75,000	75,000
Critical Care ("CC") LHIN Lead (Note 18)	-	75,000	-
Ontario Diabetes Strategy ("ODS") (Note 14)			
ODS Service Expansion	-	-	66,500
ODS High Risk Populations	-	-	54,500
ODS Self-management Capacity Building	-	-	35,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 15)	-	100,000	100,000
Aboriginal Health Transition (Note 16)	-	-	422,125
Francophone Community Engagement (Note 17)	-	74,670	77,700
Amortization of deferred capital contributions (Note 5)	-	110,465	162,855
	551,828,492	593,828,786	574,165,329
Expenses			
Transfer payments to HSPs (Note 9)	546,111,700	587,667,411	567,492,550
General and administrative (Note 10)	4,956,792	4,733,985	4,752,093
Aboriginal Community Engagement (Note 11)	160,000	150,374	20,964
E-Health (Note 12)	600,000	760,000	398,839
ED LHIN Lead (Note 13)	-	75,000	70,616
CC LHIN Lead (Note 18)	-	75,000	-
Ontario Diabetes Strategy (Note 14)	-	-	-
ODS Service Expansion	-	-	66,500
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 15)	-	22,000	-
Aboriginal Health Transition (Note 16)	-	-	312,504
Francophone Community Engagement (Note 17)	-	63,904	-
	551,828,492	593,547,674	573,114,066
Annual surplus before funding repayable to MOHLTC	-	281,112	1,051,263
Funding repayable to the MOHLTC (Note 3)		(203,112)	(848,780)
In year surplus recovered by MOHLTC (Note 3)	-	(78,000)	(202,483)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

North West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	2011	2010
	$	$
Annual surplus	-	-
Decrease (increase) in prepaid expenses	591	(6,603)
Acquisition of capital assets	(399,953)	(92,693)
Amortization of capital assets	110,465	162,855
(Decrease) increase in net debt	(288,896)	63,559
Opening net debt	(106,216)	(169,775)
Closing net debt	(395,112)	(106,216)

North West Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	110,465	162,855
Amortization of deferred capital contributions (Note 5)	(110,465)	(162,855)
	-	-
Changes in non-cash operating items		
(Increase) decrease in due from MOHLTC - HSPs transfer payments	(4,593,949)	1,024,524
Decrease (increase) in due from MOHLTC - Internal LHIN Project Funding	90,000	(90,000)
Decrease (increase) in due from HNHB LHIN	12,057	(12,057)
Increase in accounts receivable	(102,093)	-
(Decrease) increase in accounts payable	(492,715)	43,976
Increase (decrease) in due to HSPs	4,593,949	(1,024,524)
(Decrease) increase in due to MOHLTC	(907,423)	692,738
Decrease in due to LHIN Shared Services Office	(187)	(30,308)
Decrease (increase) in Prepaid expenses	591	(6,603)
	(1,399,770)	597,746
Capital transactions		
Acquisition of capital assets	(399,953)	(92,693)
Financing transactions		
Increase in deferred capital contributions (Note 5)	399,953	92,693
Net (decrease) increase in cash	(1,399,770)	597,746
Cash, beginning of year	2,068,416	1,470,670
Cash, end of year	668,646	2,068,416

North West Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The North West Local Health Integration Network was incorporated by Letters Patent on June 16, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the North West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue with an equal amount of transfer payments to authorized Health Service Providers ("HSP") expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the Districts of Thunder Bay, Rainy River and most of Kenora. The LHIN enters into service accountability agreements with service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairments in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to Health Service Providers ("HSPs"), effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any MOHLTC managed programs.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segmented information

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of Financial Activities and within the related notes for both the prior and current year sufficiently disclose information for all appropriate segments and therefore no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

North West Local Health Integration Network
Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

The amount repayable to the MOHLTC related to the current year activities is made up of the following components:

	Revenue	Expenses	2011 surplus	2010 surplus
	$	$	$	$
Transfer payments to HSPs	587,667,411	587,667,411	-	-
LHIN operations	4,916,705	4,733,985	182,720	274,861
Aboriginal Community Engagement	160,000	150,374	9,626	139,036
E-Health	760,000	760,000	-	256,161
ED LHIN Lead	75,000	75,000	-	4,384
Critical Care ("CC") LHIN Lead	75,000	75,000	-	-
Ontario Diabetes Strategy (ODS)				
ODS High Risk Populations	-	-	-	54,500
ODS Self-Management Capacity Building	-	-	-	35,000
ER/ALC Performance Lead	100,000	22,000	78,000	100,000
Aboriginal Health Transition	-	-	-	109,621
Francophone Community Engagement	74,670	63,904	10,766	77,700
	593,828,786	593,547,674	281,112	1,051,263

The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	1,110,536	417,798
Funding repaid to MOHLTC	(1,110,536)	(6,417)
Aboriginal Health Transition carryforward (Note 16)	-	(149,625)
Funding repayable to the MOHLTC related to current year activities	281,112	1,051,263
In year surplus recovered by MOHLTC	(78,000)	(202,483)
Due to MOHLTC, end of year	203,112	1,110,536

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Network Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO and LHINC, on behalf of the LHINs are responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all LHINs.

North West Local Health Integration Network

Notes to the financial statements
March 31, 2011

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	**99,613**	169,775
Capital contributions received during the year	**399,952**	92,693
Amortization for the year	**(110,465)**	(162,855)
Balance, end of year	**389,100**	99,613

6. Commitments

The LHIN has commitments under various operating leases related to building and equipment extending to 2016. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	$
2012	240,558
2013	223,437
2014	222,927
2015	219,457
2016	54,715
	961,094

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs related to the next two years, based on the current accountability agreements, are as follows:

	$
2012	568,309,039
2013	171,074,095

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office furniture and fixtures	**297,086**	**249,709**	**47,377**	35,295
Computer equipment	**125,166**	**99,689**	**25,477**	36,027
Leasehold improvements	**884,628**	**568,383**	**316,245**	28,125
Web development	**7,250**	**7,250**	**-**	166
	1,314,132	**925,032**	**389,100**	99,613

North West Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of financial activities reflect the initial budget. The figures have been reported for the purposes of these statements to comply with PSAB reporting principles. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of $587,667,411 is derived as follows:

	$
Initial HSP funding budget	546,111,700
Adjustment due to announcements made during the year	41,555,711
Final HSP funding budget	587,667,411

The final LHIN budget excluding the HSP funding budget of $5,875,909 is derived as follows:

	$
Initial budget	5,716,792
Additional funding received during the year	
Stabilization increase for 2010/11	74,400
E-Health	160,000
ED LHIN Lead	75,000
Critical Care Lead	75,000
ER/ALC Performance Lead	100,000
French Language Services	74,670
Amount treated as capital contributions made during the year	(399,953)
Final budget	5,875,909

North West Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $587,667,411 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2011	2010
	$	$
Operation of hospitals	**408,839,069**	397,171,734
Health Infrastructure Renewal Fund	**3,600,688**	3,691,453
Grants to compensate for municipal taxation - public hospitals	**104,250**	104,250
Long term care homes	**63,272,414**	61,503,112
Community care access centres	**39,768,960**	37,733,336
Community support services	**12,860,141**	12,283,665
Acquired brain injury	**1,790,490**	1,205,225
Assisted living services in supportive housing	**6,495,038**	5,230,389
Community health centres	**8,078,314**	7,155,135
Community mental health program	**30,639,650**	29,615,269
Addictions program	**12,218,397**	11,798,982
	587,667,411	567,492,550

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2011, an amount of $5,149,305 (2010 - $555,356) was receivable from the MOHLTC, and $5,149,305 (2010 - $555,356) was payable to the HSPs. These amounts have been reflected as revenue and expenses in the Statement of financial activities and are included in the table above.

10. General and administrative expenses

The Statement of financial activities presents expenses by function. The following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	**2,761,176**	3,117,354
Occupancy	**217,535**	191,212
Amortization	**110,465**	162,855
Equipment and maintenance	**64,571**	47,487
Shared services	**359,497**	362,714
Public relations and community forums	**11,680**	55,209
Professional fees	**21,520**	14,500
Travel	**131,757**	212,848
Staff development and recruitment	**142,565**	104,377
Consulting services	**461,446**	75,817
LHIN collaborative	**50,000**	12,286
Supplies, printing and office	**92,712**	111,337
Other board member per diems	**74,265**	58,705
Board chair per diems	**39,725**	43,610
Other governance and travel costs	**126,520**	113,005
Mail, courier and telecommunications	**68,551**	68,777
	4,733,985	4,752,093

North West Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. Aboriginal Community Engagement

The Ministry of Health and Long-Term Care provided $160,000 (2010 - $160,000) in additional base operational funding which was annualized for the purposes of engaging the Aboriginal population and organizations in the North West LHIN. During 2011, $150,374 (2010 - $20,964) of expenses were incurred.

12. E-Health

The E-Health office of the Ministry of Health and Long-Term Care provided $760,000 (2010 - $655,000) to the LHIN. The funds were used to cover the operational and project costs associated with the LHIN Project Management Office infrastructure and E-Health Ontario activities. During the year, $760,000 (2010 - $398,839) of expenses were incurred.

13. Emergency Department LHIN Lead

The Ministry of Health and Long-Term Care provided $75,000 (2010 - $75,000) in one-time funding to support the compensation of the North West LHIN Emergency Department (ED) LHIN Lead. During the year, $75,000 of expenses were incurred (2010 - $70,616).

14. Ontario Diabetes Strategy ("ODS")

ODS Service Expansion

The funding for the Diabetes implementation was discontinued in 2011 (2010 - $66,500) and there were no expenses incurred (2010 - $66,500).

ODS High Risk Populations

The funding for the High Risk Populations was discontinued in 2011 (2010 - $54,500) and there were no expenses incurred (2010 - $0).

ODS Self-management Capacity Building

The funding to support the implementation of the Self-Management Capacity Building Initiative was discontinued in 2011 (2010 - $35,000) and there were no expenses incurred (2010 - $0).

15. ER/ALC Performance Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of $100,000 (2010 - $100,000) to support the compensation of the LHIN ER/ALC Performance Lead in 2010/11. During the year, $22,000 (2010 - $0) of expenses were incurred. $78,000 was recovered as surplus during the year.

16. Aboriginal Health Transition

The funding to support the Aboriginal Health Transition Fund Projects was discontinued in 2011 (2010 - $422,125) and there were no expenses incurred (2010 - $312,504).

17. French Language Services

The Ministry of Health and Long-Term Care approved one-time funding of $74,670 (2010 - $77,700) to support the LHIN in its French Language Services activities. During the year, $63,904 (2010 - $0) of expenses were incurred.

18. Critical Care Lead

The Ministry of Health and Long-Term Care provided one-time funding in the amount of $75,000 (2010 - $0) to support the compensation of the LHIN Critical Care Lead in 2010/11. During the year, $75,000 (2010 - $0) of expenses were incurred.

North West Local Health Integration Network

Notes to the financial statements

March 31, 2011

19. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 24 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $204,724 (2010 - $265,961) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan in December 31, 2010. At that time, the plan was fully funded.

20. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

South East **LHIN**
RLISS du Sud-Est

71 Adam Street
Belleville, ON K8N 5K3
Tel: 613 967-0196
Toll Free: 1 866 831-5446
Fax: 613 967-1341
www.southeastlhin.on.ca

71, rue Adam
Belleville, ON K8N 5K3
Téléphone : 613 967-0196
Sans frais : 1 866 831-5446
Télécopieur : 613 967-1341
www.southeastlhin.on.ca

March 31, 2011

Management's Responsibility for the Financial Statements

The integrity and objectivity of the accompanying financial statements of the South East Local Health Integration Network (SELHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Paul W. Huras

Paul Huras
Chief Executive Officer

Paula Heinemann.

Paula Heinemann
Director Corporate Services / Controller

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
South East Local Health Integration Network

We have audited the accompanying financial statements of the South East Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of LHIN as at March 31, 2011, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 30, 2011

South East Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,373,084**	975,076
Accounts receivable	**65,589**	-
Due from the LHIN Shared Services Office (Note 5)	**-**	1,895
	1,438,673	976,971
Liabilities		
Accounts payable and accrued liabilities	**815,436**	854,148
Due to MOHLTC (Note 3)	**302,497**	128,747
Due to the LHIN Shared Services Office (Note 5)	**19,552**	-
Deferred capital contributions (Note 6)	**621,198**	289,421
Obligations under capital lease (Note 14)	**315,807**	-
	2,074,490	1,272,316
Net debt	**(635,817)**	(295,345)
Non-financial assets		
Prepaid expenses	**14,619**	5,924
Capital assets (Note 7)	**621,198**	289,421
	635,817	295,345
Accumulated surplus	**-**	-

Approved by the Board:

Georgina Thompson
Board Chair

Ian Fraser
Audit Committee Chair

South East Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (Unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	942,397,736	1,017,913,350	960,628,457
Operations of LHIN (Notes 3, 8 and 10)	4,711,570	4,302,588	4,667,028
e-Health (Note 4a)	1,325,000	1,325,000	600,000
Emergency Department (Note 4b)	75,000	75,000	75,000
Aboriginal Initiative (Note 4c)	15,000	15,000	15,000
ER/ALC Initiative (Note 4d)	100,000	100,000	100,000
French Language Services Initiative (Note 4e)	110,000	110,000	-
Critical Care Initiative (Note 4f)	75,000	75,000	-
Aboriginal Health Transitions Fund Initiative	-	-	20,000
Ontario Diabetes Strategy	-	-	25,000
Amortization of deferred capital contributions (Note 6)	-	147,905	47,665
	948,809,306	1,024,063,843	966,178,150
Expenses			
Transfer payments to HSPs (Note 9)	942,397,736	1,017,913,350	960,628,457
General and administrative (Note 10)	4,711,570	4,447,604	4,657,862
e-Health (Note 4a)	1,325,000	1,039,120	567,499
Emergency Department (Note 4b)	75,000	73,937	57,227
Aboriginal Initiative (Note 4c)	15,000	15,000	15,000
ER/ALC Initiative (Note 4d)	100,000	100,000	100,000
French Language Services Initiative (Note 4e)	110,000	99,310	-
Critical Care Initiative (Note 4f)	75,000	73,025	-
Aboriginal Health Transitions Fund Initiative	-	-	20,000
Ontario Diabetes Strategy	-	-	9,253
	948,809,306	1,023,761,346	966,055,298
Annual surplus before funding repayable to the MOHLTC	-	302,497	122,852
Funding repayable to the MOHLTC (Note 3A)	-	(302,497)	(122,852)
Annual surplus and closing accumulated surplus	-	-	-

South East Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	2011	2010
	$	$
Annual surplus	-	-
Acquisition of capital assets	(479,682)	(44,541)
Amortization of capital assets	147,905	47,665
(Increase) decrease in prepaid expenses	(8,695)	20,244
(Increase) decrease in net debt	(340,472)	23,368
Opening net debt	(295,345)	(318,713)
Closing net debt	(635,817)	(295,345)

South East Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	147,905	47,665
Amortization of deferred capital contribution (Note 6)	(147,905)	(47,665)
Changes in non-cash operating items		
(Increase) decrease in accounts receivable	(65,589)	1,788
Decrease in due from LHIN Shared Services Office	1,895	-
(Increase) decrease in prepaid expenses	(8,695)	20,244
Decrease in accounts payable and accrued liabilities	(38,712)	(162,834)
Increase in due to MOHLTC	173,750	122,852
Increase (decrease) in due to the LHIN Shared Services Office	19,552	(18,592)
	82,201	(36,542)
Capital transaction		
Acquisition of capital assets	(479,682)	(44,541)
Financing transactions		
Increase in deferred capital contributions (Note 6)	479,682	44,541
Increase in obligations under capital lease	319,178	-
Repayment of obligations under capital lease	(3,371)	-
	795,489	44,541
Net increase (decrease) in cash	398,008	(36,542)
Cash, beginning of year	975,076	1,011,618
Cash, end of year	1,373,084	975,076

South East Local Health Integration Network

Notes to the financial statements

March 31, 2011

1. Description of business

The South East Local Health Integration Network was incorporated by Letters Patent on June 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South East Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN is home to over 489,600 people, which encompasses the areas of Hastings, Prince Edward, Lennox and Addington, Frontenac, Leeds and Grenville Counties, the cities of Kingston, Belleville and Brockville, the towns of Smith Falls and Prescott, and part of Lanark and Northumberland Counties. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the book value of assets.

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at year end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historical cost. Historical cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of tangible capital assets. The cost of capital assets contributed is recorded at the estimated fair value on the date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Maintenance and repair costs are recognized as an expense when incurred. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized, on a straight line basis, over their estimated useful lives as follows:

Office Equipment	5 years
Computer Equipment	3 years
Infrastructure/Web Developments	3 years
Leasehold Improvements	Life of lease

For assets acquired and brought into use, during the year, amortization is provided for a full year.

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Segment disclosures

The LHIN was required to adopt Section PS 2700 - Segment Disclosures, for the fiscal year beginning April 1, 2007. A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the Statement of financial activities and within the related notes for both the prior and current year sufficiently disclosed information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

In accordance with the accounting policy related to deferred capital contributions (Note 2) the LHIN has recognized the amortization of deferred capital contributions of $147,905 (2010 - $47,665) as revenue. LHIN Operations base funding for 2011 after adjustments was $4,782,270 as detailed in Note 8.

A. The amount repayable to the MOHLTC is made up of the following components:

			2011
	Revenue	Expenses	Surplus
	$	$	$
Transfer payments to HSPs	1,017,913,350	1,017,913,350	-
LHIN operations	4,450,493	4,447,604	2,889
E-Health	1,325,000	1,039,120	285,880
Emergency department initiative	75,000	73,937	1,063
Aboriginal initiative	15,000	15,000	-
ER/ALC Initiative	100,000	100,000	-
French Language Services Initiative	110,000	99,310	10,690
Critical Care Initiative	75,000	73,025	1,975
	1,024,063,843	1,023,761,346	302,497

B. The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	128,747	5,895
Funding repaid during the year	(128,747)	-
One-time funding repayable to the MOHLTC	299,608	66,021
LHIN Operations funding repayable to MOHLTC	2,889	56,831
Due to MOHLTC, end of year	302,497	128,747

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

4. a) **e-Health Initiative**

i) Project Management Office (PMO)

During fiscal 2011, the South East LHIN received funding in the amount of $600,000 from the MOHLTC. These funds were used toward initiatives in support of its strategic e-Health Plan as defined in its Integrated Health Services Plan. Unspent funds, amounting to $10,072 at year end, are repayable to the MOHLTC.

	$
Expenses	
Salaries and benefits	412,759
Consulting services	77,863
Travel	18,426
Meeting expenses	5,468
Accommodations	17,077
Shared services	31,956
Other	26,379
	589,928

ii) Implementation and adoption

During fiscal 2011, the South East LHIN received funding in the amount of $450,000 from the MOHLTC. These funds were used for the Implementation and Adoption Getting Ready Initiative in alignment with the Provincial eHealth Strategic Plan. Unspent funds, amounting to $133,252 at year end, are repayable to the MOHLTC.

	$
Expenses	
Consulting services	310,446
Travel	3,585
Meeting expenses	2,717
	316,748

iii) Provincial Coordinator

During fiscal 2011, the South East LHIN received funding in the amount of $275,000 from the MOHLTC. These funds were used to support the Provincial Coordination role, and related eHealth activities on behalf of all 14 LHINs, these activities were in alignment with the Provincial eHealth Strategic Plan. Unspent funds, amounting to $142,556 at year end, are repayable to the MOHLTC.

	$
Expenses	
Salaries and benefits	75,563
Travel	656
Meeting expenses	3,121
Other	53,104
	132,444

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

4. (continued)

b) Emergency Department Initiative

During fiscal 2011, the South East LHIN received funding in the amount of $75,000 from the MOHLTC. These funds were used toward initiatives in support of the strategic Emergency Department Initiative and fell under the Access to Specialized Medical Services, within the Integrated Health Services Plan "Priority for Change". Unspent funds, amounting to $1,063 at year end, are repayable to the MOHLTC.

	$
Expenses	
Salaries and benefits	67,500
Travel	2,155
Other	4,282
	73,937

c) Aboriginal Initiative

During fiscal 2011, the South East LHIN received funding in the amount of $15,000 from the MOHLTC. These funds were used toward planning and engagement with the Aboriginal community in support of the Integrated Health Services Plan "Priority for Change".

	$
Expenses	
Other	15,000
	15,000

d) ER/ALC Initiative

During fiscal 2011, the South East LHIN received funding in the amount of $100,000 from the MOHLTC. These funds were used in support of the ER/ALC Strategy.

	$
Expenses	
Salaries and benefits	100,000
	100,000

Actual expenditures incurred as part of the ER/ALC Initiative activities were in excess of the $100,000 funding provided by the MOHLTC. The total of actual expenses is $136,754. The overage has been funded through LHIN Operations base.

	$
Expenses	
Salaries and benefits	126,593
Travel	7,068
Meeting expenses	433
Other	2,660
	136,754

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

4. (continued)

e) French Language Services Initiative

During fiscal 2011, the South East LHIN received funding in the amount of $110,000 from the MOHLTC. These funds were used in support of the French Language Services Strategy. Unspent funds, amounting to $10,690 at year end, are repayable to the MOHLTC.

	$
Expenses	
Salaries and benefits	62,345
Consulting services	11,535
Travel	4,377
Accommodations	4,269
Shared services	7,989
Other	8,795
	99,310

f) Critical Care Initiative

During fiscal 2011, the South East LHIN received funding in the amount of $75,000 from the MOHLTC. These funds were used in support of the ER/ALC Strategy. Unspent funds, amounting to $1,975 at year end, are repayable to the MOHLTC.

	$
Expenses	
Salaries and benefits	72,000
Travel	1,025
	73,025

5. Related party transactions

LHIN Shared Services Office (LSSO)

The LSSO is a division of the Toronto Central LHIN and, as such, is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable from (payable to) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

5. **Related party transactions (continued)**

LHIN Collaborative (LHINC)

LHINC was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- fostering eng agement of the health ser vice provider community in support of c ollaborative a nd successful integration of the health care system;
- their role as system manager;
- where appropriate, the consistent implementation of provincial strategy and initiatives;
- the identification and dissemination of best practices.
- LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the Ministry of Health and Long-Term Care.

LHINC is a division of Toronto Central LHIN and as such is subject to the same policies, guidelines and directives as the Toronto Central LHIN.

6. **Deferred capital contributions**

	2011	2010
	$	$
Balance, beginning of year	**289,421**	292,545
Capital contributions received during the year	**479,682**	44,541
Amortization for the year	**(147,905)**	(47,665)
Balance, end of year	**621,198**	289,421

7. **Capital assets**

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office equipment	**408,007**	**128,943**	**279,064**	259,670
Computer equipment	**97,027**	**77,271**	**19,756**	6,380
Leasehold improvements	**475,051**	**152,673**	**322,378**	23,371
Infrastructure/Web development	**21,500**	**21,500**	**-**	-
	1,001,585	**380,387**	**621,198**	289,421

8. **Budget figures**

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirement. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Budget figures (continued)

The total HSP funding budget of $1,017,913,350 is made up of the following:

	$
Initial HSP funding budget	**942,397,736**
Adjustment due to announcements made during the year	**75,515,614**
Total HSP funding budget	**1,017,913,350**

The total operating budget of $4,782,270 is made up of the following:

	$
Initial budget	**4,711,570**
Additional funding received during the year	**70,700**
Total budget	**4,782,270**

9. Transfer payments to HSPs

The LHIN has authorization to allocate the funding of $1,017,913,350 to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors as follows:

	2011	2010
	$	$
Operation of Hospitals	**676,287,800**	640,350,426
Grants to compensate for Municipal Taxation - Public Hospitals	**190,725**	190,725
Long-Term Care Homes	**157,270,059**	148,948,420
Community Care Access Centres	**96,933,755**	92,924,681
Community Support Services	**27,468,705**	23,443,792
Assisted Living Services in Supportive Housing	**2,003,991**	1,988,446
Community Health Centres	**18,371,448**	14,921,422
Community Mental Health Addictions Program	**39,386,867**	37,860,545
	1,017,913,350	960,628,457

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. General and administrative expenses

A. The Statement of financial activities presents expenses by function. The following classifies general and administrative expenses by object, as follows:

	2011	2010
	$	$
Program based		
Salaries and benefits	3,220,198	3,214,628
Consulting and LHIN-based projects	66,270	94,381
	3,286,468	3,309,009
Shared services	317,153	362,714
Collaborative	50,000	12,286
Other (details listed below)	198,604	343,509
Occupancy	118,505	152,006
Office equipment and supplies	106,674	143,261
Board per diem	132,270	165,752
Public relations	40,756	69,180
Mail, courier and telecommunications	49,269	52,480
	4,299,699	4,610,197
Amortization	147,905	47,665
	4,447,604	4,657,862

B. The breakdown of "Other" general and administrative expenses listed in the table above are:

	2011	2010
	$	$
Training and development	45,876	94,498
Travel	124,462	159,673
Recruitment	2,089	16,662
Insurance	17,640	16,319
Other miscellaneous	8,537	56,357
	198,604	343,509

C. The total expenses related to governance is as follows, and are included in the expenses listed in Note 10A above:

	2011	2010
	$	$
Board chair per diems	86,025	89,250
All other per diems	46,245	76,502
Total per diems	132,270	165,752
Other administrative costs	98,885	115,464
Total governance expenditures	231,155	281,216
Overhead - Salaries, benefits, accomodations and shared services	151,253	75,690
Total governance related costs	382,408	356,906

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. General and administrative expenses (continued)

D. The total occupancy and shared service costs are reduced in Note 10a above, due to partial cost sharing with ancillary funded projects for project staff who utilize office space and or shared services during the year. Reference Note 4 related to additional accommodations and shared services cost allocation.

11. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 22 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $261,295 (2010 - $250,426) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2010. At that time, the plan was fully funded.

12. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

13. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Minimum lease payments due next year under the building lease as follows:

	$
2012	224,064
2013	224,064
2014	224,064
2015	224,064
2016	224,064
Thereafter	1,101,648
	2,221,968

The LHIN also has funding commitments to HSPs associated with accountability agreements. As of March 31, 2011 the LHIN has signed Accountability Agreements with all Hospitals for one more year, Community Agencies for the next three years, and Long Term Care Homes for the next two years. The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from MOHLTC.

South East Local Health Integration Network

Notes to the financial statements
March 31, 2011

14. Obligations under capital lease

The LHIN has a leasehold agreement with the Landlord in which the Landlord recovers from the LHIN, the retrofit construction costs that are in excess of the regular lease costs over the term of the lease. Future minimum lease payments are as follows:

	$
2012	40,456
2013	40,456
2014	40,456
2015	40,456
2016	40,456
Thereafter	198,909
Future minimum lease payments	401,189
Less amount representing interest	(85,382)
Present value of future minimum rentals	315,807

201 Queens Avenue, Suite 700
London, Ontario N6A 1J1
Tel: 519 672-0445 • Fax: 519 672-6562
Toll-free: 1 866 294-5446
www.southwestlhin.on.ca

South West **LHIN**

Management Responsibility Report

The management of the South West Local Health Integration Network (LHIN) is responsible for preparing the accompanying financial statements in conformity with generally accepted accounting principles. In preparing these financial statements, management selects appropriate accounting policies and uses its judgement and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

The LHIN maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with the LHIN's policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit Committee. The Committee meets approximately four times annually to review audited and unaudited financial information. Deloitte & Touche LLP has full and free access to the Audit Committee.

Management acknowledges its responsibility to provide financial information that is representative of the LHIN's operations, is consistent and reliable, and is relevant for the informed evaluation of the LHIN's activities.

Michael Barrett	Lisa M Johnson
Chief Executive Officer	Manager of Corporate Services

July 7, 2011

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
South West Local Health Integration Network

We have audited the accompanying financial statements of South West Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of South West Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 25, 2011

South West Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**525,094**	705,687
Due from Ministry of Health and Long-Term Care ("MOHLTC")		
Health Service Provider ("HSP") transfer payments (Note 9)	**37,412,887**	16,382,394
Due from MOHLTC	**-**	107,000
Due from the LHIN Shared Services Office (Note 4)	**3,736**	3,343
HST Receivable	**65,468**	-
Accounts receivable	**1,421**	6,368
	38,008,606	17,204,792
Liabilities		
Accounts payable and accrued liabilities	**581,241**	576,742
Due to Health Service Providers ("HSPs") (Note 9)	**37,412,887**	16,382,394
Due to MOHLTC (Note 3b)	**28,518**	173,656
Due to the LHIN Shared Services Office (Note 4)	**7,631**	-
Deferred revenue (Note 10f)	**-**	72,000
Deferred capital contributions (Note 5)	**409,415**	504,144
	38,439,692	17,708,936
Commitments (Note 6)		
Net debt	**(431,086)**	(504,144)
Non-financial assets		
Prepaid expenses	**21,671**	-
Capital assets (Note 7)	**409,415**	504,144
Accumulated surplus	**-**	-

Approved by the Board

Board Chair

Audit Committee Chair

South West Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

		2011	2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
MOHLTC funding			
HSP transfer payments (Note 9)	1,958,148,082	2,096,400,627	1,996,757,391
Operations of LHIN	5,112,220	5,099,732	4,963,133
Aboriginal Planning (Note 10a)	-	4,702	35,525
Diabetes (Note 10b)	-	-	98,178
E-Health (Note 10c)	600,000	940,795	549,092
Emergency Department ("ED") Lead (Note 10d)	75,000	51,817	75,000
Emergency Room/Alternative Level of Care ("ER/ALC") Performance Lead (Note 10e)	-	100,000	100,000
French Language Services (Note 10f)	72,000	10,000	-
Critical Care (Note 10g)	-	75,000	-
Amortization of deferred capital contributions (Note 5)	149,630	149,628	325,756
	1,964,156,932	2,102,832,301	2,002,904,075
Expenses			
Transfer payments to HSPs (Note 9)	1,958,148,082	2,096,400,627	1,996,757,391
General and administrative (Note 11)	5,261,850	5,237,266	5,269,071
Aboriginal Planning (Note 10a)	-	4,702	35,777
Diabetes (Note 10b)	-	-	81,042
E-Health (Note 10c)	600,000	936,039	486,923
ED Lead (Note 10d)	75,000	38,810	60,356
ER/ALC Performance Lead (Note 10e)	-	97,676	105,701
French Language Services (Note 10f)	72,000	9,318	-
Critical Care (Note 10g)	-	74,643	-
	1,964,156,932	2,102,799,081	2,002,796,261
Annual surplus before funding repayable to MOHLTC	-	33,220	107,814
Funding repayable to the MOHLTC (Note 3a)	-	(33,220)	(107,814)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

South West Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

		2011	2010
	Budget (unaudited) (Note 8)	Actual	Actual
	$	$	$
Annual surplus	-	-	-
Change in prepaid expenses	-	(21,671)	-
Acquisition of capital assets	-	(54,899)	(154,485)
Amortization of capital assets	-	149,628	325,756
Decrease in net debt	-	73,058	171,271
Opening net debt	-	(504,144)	(675,415)
Closing net debt	-	(431,086)	(504,144)

South West Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	**149,628**	325,756
Amortization of deferred capital contributions (Note 5)	**(149,628)**	(325,756)
Changes in non-cash operating items		
Increase in due from MOHLTC HSP transfer payments	**(21,030,493)**	(14,268,836)
Decrease (increase) in due from MOHLTC	**107,000**	(107,000)
Increase in due from LHIN Shared Services Office	**(393)**	(3,343)
Decrease (increase) in accounts receivable	**4,947**	(3,542)
Increase in HST receivable	**(65,468)**	-
Increase (decrease) in accounts payable and accrued liabilities	**4,499**	(597,256)
Increase in due to HSPs	**21,030,493**	14,268,836
(Decrease) increase in due to MOHLTC	**(145,138)**	107,814
Increase (decrease) in due to LHIN Shared Services Office	**7,631**	(17,883)
(Decrease) increase in deferred revenue	**(72,000)**	72,000
Increase in prepaid expenses	-	-
	(158,922)	(549,210)
Capital transactions		
Acquisition of capital assets	**(54,899)**	(154,485)
Financing transactions		
Deferred capital contributions received (Note 5)	**54,899**	154,485
Net decrease in cash	**(158,922)**	(549,210)
Cash, beginning of year	**705,687**	1,254,897
Cash, end of year	**546,765**	705,687

South West Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The South West Local Health Integration Network was incorporated by Letters Patent on July 9, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the South West Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Provider ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers approximately 22,000 square kilometers from Tobermory in the north to Long Point in the south. The LHIN enters into service accountability agreements with service providers.

2. Significant accounting policies

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and impairments in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN statements do not include any Ministry managed programs.

South West Local Health Integration Network
Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. Unspent amounts are recorded as payable to the MOHLTC at period end. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are recorded as deferred capital revenue and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment, furniture and fixtures	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use, during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

South West Local Health Integration Network
Notes to the financial statements
March 31, 2011

3. **Funding repayable to the MOHLTC**

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2011 surplus	2010 surplus
	$	$	$	$
Transfer payments to HSPs	2,096,400,627	2,096,400,627	-	-
LHIN operations	5,249,361	5,237,266	12,095	19,818
Aboriginal Planning	4,702	4,702	-	(252)
French Language Services	10,000	9,318	682	-
Diabetes	-	-	-	17,136
Critical Care	75,000	74,643	357	-
E-Health	940,795	936,039	4,756	62,169
ED Lead	51,817	38,810	13,007	14,644
ER/ALC Lead	100,000	97,676	2,324	(5,701)
	2,102,832,302	2,102,799,081	33,220	107,814

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	173,656	65,842
Funding repaid to MOHLTC	(173,656)	-
Funding receivable from the MOHLTC related to current year activities (Note 10a)	(4,702)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	33,220	107,814
Due to MOHLTC, end of year	28,518	173,656

4. **Related party transactions**

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end is recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") was formed in fiscal 2010 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system; their role as system manager; where appropriate, the consistent implementation of provincial strategy and initiatives; and the identification and dissemination of best practices. LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

South West Local Health Integration Network

Notes to the financial statements
March 31, 2011

5. **Deferred capital contributions**

	2011	2010
	$	$
Balance, beginning of year	**504,144**	675,415
Capital contributions received during the year (Note 12)	**54,899**	154,485
Amortization for the year	**(149,628)**	(325,756)
Balance, end of year	**409,415**	504,144

6. **Commitments**

The LHIN has commitments under various operating leases extending to 2015 related to building and equipment. Lease renewals are likely. Minimum lease payments due in each of the next four years are as follows:

	$
2012	249,223
2013	209,216
2014	198,349
2015	82,645

The LHIN also has funding commitments to HSPs associated with accountability agreements. Minimum commitments to HSPs, based on the current accountability agreements, are as follows:

	$
2012	2,025,460,221

The actual amounts which will ultimately be paid are contingent upon actual LHIN funding received from the MOHLTC.

7. **Capital assets**

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Computer equipment	**133,685**	**72,999**	**60,686**	24,445
Leasehold improvements	**1,464,863**	**1,220,150**	**244,713**	347,279
Office equipment, furniture and fixtures	**206,997**	**102,981**	**104,016**	132,420
Web development	**21,998**	**21,998**	**-**	-
	1,827,543	**1,418,128**	**409,415**	504,144

South West Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the statement of financial activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the LHIN during the year:

The final HSP funding budget of $2,096,400,627 is derived as follows:

	$
Initial budget	1,958,148,082
Adjustment due to announcements made during the year	138,252,545
Final HSP funding budget	2,096,400,627

The final operating budget, excluding HSP funding, of $6,435,521 is derived as follows:

	$
Initial budget	6,008,850
Additional funding received during the year	481,570
Amount treated as capital contributions during the year	(54,899)
Final LHIN operating budget	6,435,521

9. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $2,096,400,627 to various HSPs in its geographic area. The LHIN approved transfer payments to various sectors in 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	**1,528,366,263**	1,478,403,457
Grants to compensate for municipal taxation - public hospitals	**451,500**	451,650
Long term care homes	**276,650,300**	246,734,108
Community care access centres	**170,394,969**	162,409,737
Community support services	**34,953,026**	29,644,098
Assisted living services in supportive housing	**16,619,916**	15,959,228
Community health centres	**12,404,709**	8,712,310
Community mental health addictions program	**56,559,944**	54,442,803
	2,096,400,627	1,996,757,391

The LHIN receives funding from the MOHLTC and in turn allocates it to the HSPs. As at March 31, 2011, an amount of $37,412,887 (2010 - $16,382,394) was receivable from MOHLTC, and was payable to the HSPs. These amounts have been reflected as revenue and expenses in the statement of financial activities and are included in the table above.

South West Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. a) **Aboriginal Planning**

The MOHLTC provided the LHIN with $34,992 (2010 - $35,525) related to aboriginal planning. The MOHLTC collected from the LHIN, $35,000 as an in year recovery. The LHIN incurred operating expenses totaling $4,702 (2010 - $35,777). The LHIN has setup a receivable from the MOHLTC for $4,702 to cover these operating expenses.

b) **Diabetes**

The MOHLTC provided the LHIN with $0 (2010 - $98,178) related to diabetes management strategy funding. The LHIN incurred operating expenses totaling $0 (2010 - $81,042).

c) **E-Health**

The E-Health office of the MOHLTC provided $942,000 (2010 - $600,000) to the LHIN. During 2011 the LHIN hired a CIO to complement the E-Health project management office while incurring operating expenses of $936,039 (2010 - $486,923) and capital expenses of $1,205 (2010 - $50,908) have been recorded as capital assets and the related funding has been recorded as deferred capital contributions. The LHIN has setup a payable to the MOHLTC for the remaining balance of $4,756.

d) **ED Lead**

The MOHLTC provided the LHIN with $75,000 (2010 - $75,000) to hire a LHIN representative for emergency department planning. The MOHLTC collected from the LHIN, $23,183 as an in year recovery. Dr. Lisa Shepherd was selected and remunerated a total of $38,810 (2010 - $60,356) through a monthly per diem and expense allowance as described by the MOHLTC. Dr. Shepherd resigned in November 2010. The LHIN has setup a payable to the MOHLTC for the remaining balance of $13,007.

e) **ER/ALC Lead**

The MOHLTC provided the LHIN with $100,000 (2010 - $100,000) related to emergency room management strategy funding. The LHIN incurred operating expenses totaling $97,676 (2010 - $105,701) and has setup a payable to the MOHLTC for the remaining balance of $2,324.

f) **French Language Services**

The MOHLTC provided the LHIN with $110,000 (2010 - $0) related to French Language Services funding. The MOHLTC collected from the LHIN, $100,000 as an in year recovery. The LHIN incurred operating expenses totaling $9,318 (2010 - $0). The LHIN has setup a payable to the MOHLTC for the remaining balance of $682.

The MOHLTC allowed the LHIN to retain $72,000 related to French Language Services at the end of fiscal 2010 until the end of August 2010. No related expenses were incurred in fiscal 2011 and no funds were allocated in fiscal 2011 (2010 - $72,000).

g) **Critical Care**

The MOHLTC provided the LHIN with $75,000 (2010 - $0) related to Critical Care initiatives. The LHIN incurred operating expenses totaling $74,643 (2010 - $0). The LHIN has setup a payable to the MOHLTC for the remaining balance of $357.

South West Local Health Integration Network
Notes to the financial statements
March 31, 2011

11. General and administrative expenses

The statement of financial activities presents the expenses by function; the following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	**3,242,761**	2,865,731
Occupancy (Note 12)	**205,399**	240,561
Amortization	**149,628**	325,756
Shared services	**359,495**	362,714
LHIN Collaborative	**50,000**	12,286
Public relations	**50,986**	139,432
Consulting and Project expenses	**801,032**	664,610
Supplies	**36,413**	82,516
Board chair per diem	**24,275**	25,900
Board member per diem	**54,017**	65,010
Board member expenses	**49,004**	133,228
Mail, courier and telecommunications	**59,604**	130,495
Other	**154,652**	220,832
	5,237,266	5,269,071

12. Recovered expenditures

The LHIN has an agreement with the Southwest Community Care Access Centre ("CCAC") to introduce a Chronic Disease Prevention and Management ("CDPM") Project. The CCAC will pay the cost of accommodations and initial office set-up on behalf of the CDPM to the LHIN.

During the 2011 fiscal year, amounts received for accommodations decreased occupancy expense by $58,200 to $205,399 from $263,947 (2010 - $58,200 to $240,561 from $298,761) and is included in the statement of financial activities.

13. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 30 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $262,137 (2010 - $256,430) for current service costs and is included as an expense in the statement of financial activities. The last actuarial valuation was completed for the plan on December 31, 2010. As that time, the plan was fully funded.

14. Guarantees

The LHIN is subject to the provisions of the Financial Administration Act. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favor of third parties, except in accordance with the Financial Administration Act and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the Local Health System Integration Act, 2006 and in accordance with s.28 of the Financial Administration Act.

425 Bloor Street East, Suite 201
Toronto, ON M4W 3R4
Tel: 416 921-7453 • Fax: 416 921-0117
Toll-free: 1 866 383-5446
www.torontocentrallhin.on.ca

Toronto Central **LHIN**

March 31, 2011

Management's Responsibility for the Financial Statements

Toronto Central Local Health Integration Network (the "LHIN"), a crown agency, is dedicated to the highest standards of integrity in its business. To safeguard the LHIN's assets and assure the reliability of financial information, the LHIN follows sound management practices and procedures, and maintains appropriate information systems and internal financial controls.

The integrity and objectivity of the accompanying financial statements of the LHIN is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Accounting Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Camille Orridge
Chief Executive Officer

Raj Krishnapillai
Director of Finance

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Toronto Central Local Health Integration Network

We have audited the accompanying financial statements of the Toronto Central Local Health Integration Network (the "LHIN"), which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the LHIN as at March 31, 2011, and the results of its financial activities, changes in its net debt and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 30, 2011

Toronto Central Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,618,218**	2,117,680
Due from Local Health Integration Networks ("LHINs") (Note 3)	**190,390**	33,172
Due from Ministry of Health and Long-Term Care ("MOHLTC") regarding HSP transfer payments	**59,651,414**	2,333,699
HST receivable	**322,081**	-
	61,782,103	4,484,551
Liabilities		
Accounts payable and accrued liabilities	**2,192,348**	2,089,583
Due to HSPs	**59,651,414**	2,333,699
Due to MOHLTC (Note 4b)	**30,837**	46,070
Deferred revenue	**-**	66,700
Deferred capital contributions (Note 5)	**465,091**	783,608
	62,339,690	5,319,660
Net debt	**557,587**	835,109
Non-financial assets		
Prepaid expenses	**92,496**	51,501
Capital assets (Note 6)	**465,091**	783,608
	557,587	835,109
Accumulated surplus	**-**	-

Approved by the Board

Ingela Serkagt Director

Director

Toronto Central Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	Budget (Unaudited) (Note 7)	2011 Actual	2010 Actual
	$	$	$
Revenue			
Ministry of Health and Long-Term Care ("MOHLTC") funding	5,818,921	5,773,491	5,732,821
MOHLTC Funding to LHIN Collaborative (LHINC) (Note 20)	670,000	670,000	670,000
Health Service Provider ("HSP") transfer payments (Note 8)	4,210,305,000	4,364,963,326	4,200,566,501
E-Health (Note 9)	600,000	710,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Diabetes Strategy (Note 11)	-	-	95,000
Aboriginal Health Transition Planning (Note 12)	49,600	49,600	63,500
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	100,000	100,000	100,000
Critical Care (Note 14)	-	75,000	-
Resources Matching Referrals (Note 15)	-	200,000	-
French Language Health Services (Note 16)	-	141,400	-
French Planning Entities (Note 17)	-	192,178	-
Amortization of deferred capital contributions (Note 5)	-	363,948	781,191
Amounts recovered/recoverable from the LHINs for LHINC (Note 20)	700,000	683,000	159,714
Amounts recovered/recoverable from the LHINs for LSSO	5,032,924	4,823,435	4,161,756
	4,223,351,445	4,378,820,378	4,213,005,483
Expenses			
Transfer payments to HSPs (Note 8)	4,210,305,000	4,364,963,326	4,200,566,501
General and administrative (Note 18)	5,818,921	5,785,344	6,102,387
LHIN Shared Services Office expense (Note 19)	5,032,924	5,174,815	4,572,366
LHIN Collaborative (Note 20)	1,370,000	1,353,000	829,714
E-Health (Note 9)	600,000	710,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000
Diabetes Strategy and Diabetes Registry (Note 11)	-	-	95,000
Aboriginal Health Transition Planning (Note 12)	49,600	49,600	63,500
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	100,000	100,000	100,000
Critical Care (Note 14)	-	75,000	-
Resources Matching Referrals (Note 15)	-	200,000	-
French Language Health Services (Note 16)	-	111,278	-
French Planning Entities (Note 17)	-	192,178	-
	4,223,351,445	4,378,789,541	4,213,004,468
Annual surplus before funding repayable to the MOHLTC	-	30,837	1,015
Funding repayable to the MOHLTC (Note 4a)	-	(30,837)	(1,015)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Toronto Central Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	Budget (Unaudited) (Note 7)	2011	2010
	$	$	$
Annual surplus	-	-	-
Acquisition of capital assets	-	**(45,431)**	(579,480)
Amortization of capital assets	-	**363,948**	781,191
Change in other non-financial assets	-	**(40,995)**	(23,275)
Increase in net debt	-	**277,522**	178,436
Opening net debt	-	**(835,109)**	(1,013,545)
Closing net debt	-	**(557,587)**	(835,109)

Toronto Central Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less: items not affecting cash		
Amortization of capital assets	363,948	781,191
Amortization of deferred capital contributions (Note 5)	(363,948)	(781,191)
	-	-
Changes in non-cash operating items		
(Increase) decrease in due from LHINs	(157,218)	239,725
(Increase) in accounts receivable	(322,080)	-
(Increase) decrease in due from MOHLTC regarding transfer payments	(57,317,715)	8,522,284
Increase (decrease) in accounts payable and accrued liabilities	102,764	(42,972)
Increase (decrease) in due to HSPs	57,317,715	(8,522,284)
(Decrease) increase in due to MOHLTC	(15,233)	45,520
(Decrease) increase in deferred revenue	(66,700)	40,750
(Increase) in prepaid expenses	(40,995)	(23,275)
	(499,462)	259,748
Capital transactions		
Acquisition of capital assets	(45,431)	(579,480)
Financing transactions		
Increase in deferred capital contributions (Note 5)	45,431	579,480
Net change in cash	(499,462)	259,748
Cash, beginning of year	2,117,680	1,857,932
Cash, end of year	1,618,218	2,117,680

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. **Description of business**

The Toronto Central Local Health Integration Network was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the Toronto Central Local Health Integration Network (the "LHIN") and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

The LHIN is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

The LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed health service providers in the LHIN geographic area, have flowed through the LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized Health Service Providers ("HSP") are expensed in the LHIN's financial statements for the year ended March 31, 2011.

The mandates of the LHIN are to plan, fund and integrate the local health system within its geographic area. The LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The LHIN covers the City of Toronto. The LHIN enters into service accountability agreements with service providers.

2. **Significant accounting policies**

The financial statements of the LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items, such as the amortization of capital assets and losses in the value of assets.

Ministry of Health and Long-Term Care Funding

The LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Accountability Agreement ("MLAA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the LHIN. Throughout the fiscal year, the LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the LHIN bank account.

The LHIN financial statements do not include any MOHLTC managed programs.

Toronto Central Local Health Integration Network
Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund expenditures that are recorded as capital assets, are initially recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the Statement of Financial Activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Office furniture and fixtures	5 years straight-line method
Computer equipment	3 years straight-line method
Leasehold improvements	Life of lease straight-line method

For assets acquired or brought into use during the year, amortization is calculated for a full year.

Segmented financial reporting

The financial statements of the LHIN include the accounts of its LSSO and LHINC divisions. Separate schedules of LSSO and LHINC financial position and financial activities are presented in the attached schedules to the financial statements.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Related party transactions

The LHIN Shared Services Office (the "LSSO") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to (from) the LSSO. This is all done pursuant to the Shared Service Agreement the LSSO has with all the LHINs.

The LHIN Collaborative (the "LHINC") is a division of the Toronto Central LHIN and is subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LHINC is responsible for providing advice to all LHINs in the areas of planning integration and community engagement, allocation methodologies, accountability performance and system alignment and co-ordination. Any portion of the LHINC operating costs overpaid (or not paid) by the LHIN at the year end are recorded as a receivable (payable) to (from) the LHINC. This is all done pursuant to the LHINC Agreement the LHINC has with all the LHINs.

4. Funding repayable to the MOHLTC

In accordance with the MLAA, the LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a. The amount repayable to the MOHLTC related to the current activities is made up of the following components:

	Revenue	Expenses	2011 Surplus	2010 Surplus
	$	$	$	
Transfer payments to HSPs	4,364,963,326	4,364,963,326	-	-
LHIN operations	5,786,059	5,785,344	715	1,015
LHINC	670,000	670,000	-	-
E-Health	710,000	710,000	-	-
ED Leads	75,000	75,000	-	-
Diabetes strategy	-	-	-	-
Aboriginal Health Transition Planning	49,600	49,600	-	-
ER/ALC	100,000	100,000	-	-
Critical Care Leads	75,000	75,000	-	-
ALC Resources Matching	200,000	200,000	-	-
FLHS	141,400	111,278	30,122	-
French Planning Entities	192,178	192,178	-	-
	4,372,962,563	4,372,931,726	30,837	1,015

b. The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	(46,070)	(550)
MOHLTC payment	46,070	-
Funding repayable to the MOHLTC		(44,505)
Funding repayable to the MOHLTC related to current year activities (Note 4a)	(30,837)	(1,015)
Due to MOHLTC, end of year	(30,837)	(46,070)

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	**783,608**	985,319
Capital contributions received during the year	**45,431**	579,480
Amortization for the year	**(363,948)**	(781,191)
Balance, end of year	**465,091**	783,608

6. Capital assets

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Office furniture and fixtures	**251,685**	**251,685**	**-**	12,568
Computer equipment	**2,060,966**	**1,600,573**	**460,393**	765,168
Leasehold improvements	**1,261,883**	**1,257,185**	**4,698**	5,872
	3,574,534	**3,109,443**	**465,091**	783,608

7. Budget figures

The budgets were approved by the Government of Ontario. The budget figures reported in the Statement of Financial Activities reflect the initial budget at April 1, 2010. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approves budget adjustments. The following reflects the adjustments for the LHIN during the year:

The total HSP funding budget of $4,364,963,326 is made up of the following:

	$
Initial HSP Funding budget	4,210,305,000
Adjustment due to announcements made during the year	154,658,326
Total HSP Funding budget	4,364,963,326

The total operating budget excluding HSP Funding of $6,643,521 and French Planning entities is made up of the following:

	$
Initial budget	5,818,921
Additional funding received during the year for:	
E-Health	600,000
Emergency Department Leads	75,000
Aboriginal Health Transition Planning	49,600
Emergency Room and Alternative Level of Care (ER/ALC) (Note 13)	100,000
Total budget	6,643,521

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

8. Transfer payments to HSPs

The LHIN has authorization to allocate funding of $4,364,963,326 (2010 - $4,200,566,501) to the various HSPs in its geographic area. The LHIN approved transfer payments to the various sectors in fiscal 2011 as follows:

	2011	2010
	$	$
Operation of hospitals	**3,402,000,919**	3,284,060,297
Grants to compensate for municipal taxation - public hospitals	**743,250**	736,800
Long-term care homes	**237,332,764**	233,431,076
Community care access centres	**205,621,957**	184,791,680
Community support services	**44,287,376**	43,192,053
Assisted living services in supportive housing	**43,964,652**	42,116,912
Community health centres	**77,213,192**	72,497,865
Community mental health addictions program	**93,891,490**	89,763,672
Addictions program	**24,420,104**	22,553,652
Specialty psychiatric hospitals	**235,443,072**	227,377,944
Grants to compensate for municipal taxation - psychiatric hospitals	**44,550**	44,550
	4,364,963,326	4,200,566,501

9. E-Health

The LHIN received funding of $710,000 (2010 - $600,000) related to the E-Health project. E-Health expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	**512,047**	588,575
Translation services	**1,463**	1,055
Consulting services	**92,750**	-
Other	**103,740**	10,370
	710,000	600,000

10. Emergency Department ("ED") Leads

The LHIN received funding of $75,000 (2010 - $75,000) related to the ED Leads project. ED Leads expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	**1,400**	15,000
Consulting services	**69,000**	60,000
Other	**4,600**	-
	75,000	75,000

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. Diabetes Strategy and Diabetes Registry

In the prior year, the LHIN was provided with funding from the MOHLTC for Diabetes Strategy and Diabetes Registry Program for the amount of $95,000.

12. Aboriginal Health Transition Planning

The LHIN received funding of $49,600 (2010 - $63,500) related to the Aboriginal Health Transition Planning Project. Aboriginal Health Transition Planning expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	44,146	59,285
Consulting services	-	2,265
Other	5,454	1,950
	49,600	63,500

13. Emergency Room and Alternate Level of Care (ER/ALC)

During the year, the LHIN was provided funding of $100,000 (2010 - $100,000) from the MOHLTC for the ER/ALC program. The LHIN incurred $100,000 (2010 - $100,000) ER/ALC expenses related to salaries and benefits.

14. Critical Care (CC) Leads

During the year, the LHIN received funding of $75,000 (2010 - Nil) related to the Critical Care Leads project. CC Leads expenses incurred during the year are as follows,

	2011	2010
	$	$
Salaries and benefits	1,869	-
Consulting services	72,750	-
Other	381	-
	75,000	-

15. Alternate Level of Care (ALC) Resources Matching Referrals Leads (ALC RMR)

During the year, the LHIN was provided funding of $200,000 (2010 - Nil) from the MOHLTC for the ALC RMR project. ALC RMR expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	199,985	-
Other	15	-
	200,000	-

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

16. French Language Health Services (FLHS)

During the year, the LHIN was provided funding of $141,400 (2010 - Nil) from the MOHLTC for the French Language Health Services program. FLHS expenses incurred during the year as follows:

	2011	2010
	$	$
Salaries and benefits	46,369	-
Translation services	29,554	-
Consulting services	5,750	-
Other	29,605	-
	111,278	-

17. French Panning Entities

During the year, the LHIN was provided funding of $192,178 (2010 - Nil) from the MOHLTC for the French Planning Entities which include $50,000 one–time funding for start up cost related to establishing the "Entité de planification pour les services de santé en français de Toronto Centre". The fund flowed directly to "Entité de planification pour les services de santé en français de Toronto Centre".

18. General and administrative expenses

The Statement of Financial Activities presents the expenses by function, the following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	4,519,036	4,430,938
Occupancy	258,548	265,333
Amortization	12,568	370,580
Shared services	305,695	362,714
LHINC	50,000	12,286
Public affairs and communications	9,256	44,494
Consulting services	220,914	72,522
Translation services	9,393	33,890
Professional services	23,645	39,624
Supplies	83,266	102,557
Governance	55,866	104,554
Mail, courier and telecommunications	48,697	63,586
Other	188,460	199,309
	5,785,344	6,102,387

The following lists the Board Chair and Directors per diem costs as well as their travel which are included in governance expense in the general and administrative expenses above.

		2011	2010
	Budget	Actual	Actual
	$	$	$
Board Chair per diem cost	54,600	22,475	34,225
Directors per diem cost	103,500	32,100	66,325
Board travel	6,900	1,291	4,004
	165,000	55,866	104,554

Toronto Central Local Health Integration Network

Notes to the financial statements
March 31, 2011

19. Common LHIN services expenses

The Statement of Financial Activities presents the common LHIN services expenses by function, the following classifies the same expenses by object:

	2011	2010
	$	$
Salaries	1,556,568	1,093,259
Benefits	222,066	137,687
Supplies	29,620	31,489
Telecommunications	17,312	22,000
Recruitment and staff development	10,294	60,417
Computer expense	508,995	663,941
Consulting fees	606	262,800
Professional services	15,099	34,904
Meeting expenses	4,806	2,444
Amortization	351,380	410,610
Occupancy	180,770	103,490
Other	59,673	34,106
Shared services	2,577,121	2,077,933
Total common LHIN services expenses	5,534,310	4,935,080
Less: inter-entity transactions eliminated on combination	(359,495)	(362,714)
	5,174,815	4,572,366

20. Collaborative LHIN services expenses

The Statement of Financial Activities presents the collaborative LHIN services expenses by function; the following classifies the same expenses by object:

LHINC receives $670,000 funding from MOHLTC and the balance of the revenue from all the LHINs. Costs allocation is based on the percentage proportionate on the funding received.

			2011	2010
	LHINs	MOHLTC	Total	Total
	$	$	$	$
Salaries	517,094	472,651	989,745	325,387
Benefits	126,654	115,768	242,422	82,394
Supplies	1,188	1,086	2,274	6,337
Telecommunications	20,207	18,470	38,677	35,785
Recruitment and staff development	1,998	1,827	3,825	48,634
Computer expense	3,519	3,215	6,734	83,692
Consulting fees	8,645	7,902	16,547	206,815
Meeting expenses	13,287	12,145	25,432	7,584
Occupancy	36,906	33,734	70,640	40,299
Other	3,502	3,202	6,704	5,073
	733,000	670,000	1,403,000	842,000
Less: inter-entity transactions eliminated on combination	(50,000)	-	(50,000)	(12,286)
	683,000	670,000	1,353,000	829,714

Toronto Central Local Health Integration Network
Notes to the financial statements
March 31, 2011

21. Pension agreements

The LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 62 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $ 467,710 (2010 - $379,969) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan as of December 31, 2009. At that time, the plan was fully funded.

22. Guarantees

The LHIN is subject to the provisions of the *Financial Administration Act*. As a result, in the normal course of business, the LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

23. Commitments

The LHIN has commitments under various operating leases related to building and equipment. Lease renewals are likely. Minimum lease payments due over the next five fiscal years are as follows:

	$
2012	601,462
2013	615,932
2014	633,985
2015	653,012
2016	334,090

The LHIN also has funding commitments to some HSPs associated with accountability agreements for fiscal 2012 and 2013.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule 1
year ended March 31, 2011

	2011	2010	2011	2010	2011	2010	2011	2010
	Toronto Central		Shared Services Office		Collaborative		Total	Total
	$	$	$	$	$	$	$	$
Financial assets								
Cash	**936,490**	650,198	**457,810**	1,364,852	**223,918**	102,630	**1,618,218**	2,117,680
Due from the LHIN Shared Services Office*	**98,762**	187,628	**-**	-	**-**	-	**98,762**	187,628
Due from Local Health Integration Network ("LHIN")	**-**	-	**157,390**	33,172	**33,000**	-	**190,390**	33,172
Due from the LHIN Collaborative*	**12,744**	67,805	**-**	-	**-**	-	**12,744**	67,805
Due from Ministry of Health and Long-Term Care ("MOHLTC")	**-**	-	**-**	-	**-**	-	**-**	-
Due from MOHLTC regarding HSP transfer payments	**59,651,414**	2,333,699	**-**	-	**-**	-	**59,651,414**	2,333,699
HST receivable	**90,033**	-	**226,367**	-	**5,681**	-	**322,081**	-
	60,789,443	3,239,330	**841,567**	1,398,024	**262,599**	102,630	**61,893,609**	4,739,984
Liabilities								
Accounts payable and accrued liabilities	**1,160,887**	796,181	**695,426**	1,258,577	**336,034**	34,825	**2,192,348**	2,089,583
Due to TC LHIN*	**-**	-	**98,762**	187,628	**12,744**	67,805	**111,506**	255,433
Due to LHINC*	**-**	-	**85,736**	-	**(85,736)**	-	**-**	-
Due to HSPs	**59,651,414**	2,333,699	**-**	-	**-**	-	**59,651,414**	2,333,699
Deferred revenue	**-**	66,700	**-**	-	**-**	-	**-**	66,700
Deferred capital contributions	**45,430**	12,568	**419,661**	771,040	**-**	-	**465,091**	783,608
Due to Ministry of Health and Long-Term Care ("MOHLTC")	**30,837**	46,070	**-**	-	**-**	-	**30,837**	46,070
	60,888,568	3,255,218	**1,299,585**	2,217,245	**263,042**	102,630	**62,451,196**	5,575,093
Net debt	**(99,125)**	(15,888)	**(458,018)**	(819,221)	**(444)**	-	**(557,587)**	(835,109)
Non-financial assets								
Prepaid expenses	**53,695**	3,320	**38,357**	48,181	**444**	-	**92,496**	51,501
Capital assets	**45,430**	12,568	**419,661**	771,040	**-**	-	**465,091**	783,608
Accumulated surplus	**-**	-	**-**	-	**-**	-	**-**	-

* Amounts due from the LHIN Shared Services Office, due from the LHINC and due to TC LHIN are eliminated upon combination.

Toronto Central Local Health Integration Network

Combined statement of financial position and financial activities by division - Schedule I (continued)
year ended March 31, 2011

	2011	2011	2010		2011	2010		2011	2010	2011	2010
	Toronto Central Operations			Shared Services Office			Collaborative				
	Budget	Actual	Actual	Budget	Actual	Actual	Budget	Actual	Actual	Total	Total
	$	$	$	$	$	$	$	$	$	$	$
Revenue											
Amounts recovered/recoverable from the LHINs*	-	-	-	5,032,924	5,182,930	4,524,470	700,000	733,000	172,000	5,915,930	4,696,470
MOHLTC funding	5,818,921	5,773,491	5,732,821	-	-	-	670,000	670,000	670,000	6,443,491	6,402,821
HSP transfer payments (Note 8)	4,210,305,000	4,364,963,326	4,200,566,501	-	-	-	-	-	-	4,364,963,326	4,200,566,501
E-Health funding (Note 9)	600,000	710,000	600,000	-	-	-	-	-	-	710,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000
Diabetes Strategy (Note 11)	-	-	95,000	-	-	-	-	-	-	-	95,000
Aboriginal Health Transition Planning (Note 12)	49,600	49,600	63,500	-	-	-	-	-	-	49,600	63,500
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	-	100,000	100,000	-	-	-	-	-	-	100,000	100,000
Critical Care (Note 14)	100,000	75,000	-	-	-	-	-	-	-	75,000	-
Resources Matching Referrals (Note 15)	-	200,000	-	-	-	-	-	-	-	200,000	-
French Language Health Services (Note 16)	-	141,400	-	-	-	-	-	-	-	141,400	-
French Planning Entities (Note 17)	-	192,178	-	-	-	-	-	-	-	192,178	-
Amortization of deferred capital contributions (Note 5)	-	12,568	370,581	-	351,380	410,610	-	-	-	363,948	781,191
	4,216,948,521	4,372,292,563	4,207,603,403	5,032,924	5,534,310	4,935,080	1,370,000	1,403,000	842,000	4,379,229,873	4,213,380,483
Expenses											
General and administrative (Note 18)	5,818,921	5,785,344	6,102,387	-	-	-	-	-	-	5,785,344	6,102,387
Common LHIN Services*	-	-	-	5,032,924	5,534,310	4,935,080	-	-	842,000	5,534,310	5,777,080
LHIN Collaborative (Note 20)	-	-	-	-	-	-	1,370,000	1,403,000	-	1,403,000	-
Transfer payments to HSPs (Note 8)	4,210,305,000	4,364,963,326	4,200,566,501	-	-	-	-	-	-	4,364,963,326	4,200,566,501
E-Health (Note 9)	600,000	710,000	600,000	-	-	-	-	-	-	710,000	600,000
Emergency Department ("ED") Leads (Note 10)	75,000	75,000	75,000	-	-	-	-	-	-	75,000	75,000
Diabetes Strategy and Diabetes Registry (Note 11)	-	-	95,000	-	-	-	-	-	-	-	95,000
Aboriginal Health Transition Planning (Note 12)	49,600	49,600	63,500	-	-	-	-	-	-	49,600	63,500
Emergency Room and Alternate Level of Care (ER/ALC) (Note 13)	100,000	100,000	100,000	-	-	-	-	-	-	100,000	100,000
Critical Care (Note 14)	-	75,000	-	-	-	-	-	-	-	75,000	-
Resources Matching Referrals (Note 15)	-	200,000	-	-	-	-	-	-	-	200,000	-
French Language Health Services (Note 16)	-	111,278	-	-	-	-	-	-	-	111,278	-
French Planning Entities (Note 17)	-	192,178	-	-	-	-	-	-	-	192,178	-
	4,216,948,521	4,372,261,726	4,207,602,388	5,032,924	5,534,310	4,935,080	1,370,000	1,403,000	842,000	4,379,199,036	4,213,379,468
Annual surplus before funding surplus repayable	-	30,837	1,015	-	-	-	-	-	-	30,837	1,015
Funding surplus repayable to the MOHLTC (Note 4(a))	-	(30,837)	(1,015)	-	-	-	-	-	-	(30,837)	(1,015)
Opening accumulated surplus	-	-	-	-	-	-	-	-	-	-	-
Closing accumulated surplus	-	-	-	-	-	-	-	-	-	-	-

* These amounts have been adjusted by $359,495 related to Toronto Central LHIN transactions. These numbers reflect LSSO operations on behalf of all 14 LHINs (Note 19)
* These amounts have been adjusted by $50,000 related to Toronto Central LHIN transactions. These numbers reflect LHINC operations on behalf of all 14 LHINs (Note 20)

Local Health Integration Network
Local Shared Services Office

Schedule of financial position and financial activities - Schedule II
year ended March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**457,810**	1,364,852
Due from LHINs	**157,390**	33,172
HST receivable	**226,367**	-
	841,567	1,398,024
Liabilities		
Accounts payable and accrued liabilities	**695,426**	1,258,577
Due to TC LHIN*	**98,762**	187,628
Due to LHINC*	**85,736**	-
Deferred capital contribution	**419,661**	771,040
	1,299,585	2,217,245
Net debt	**(458,018)**	(819,221)
Non-financial assets		
Prepaid expenses	**38,357**	48,181
Capital assets	**419,661**	771,040
Accumulated surplus	**-**	-

	Budget (Unaudited)	2011	2010
	$	$	$
Revenue			
Amounts recovered/recoverable from the LHINs	**5,032,924**	**5,182,930**	4,524,470
Amortization of deferred capital contributions	**-**	**351,380**	410,610
	5,032,924	**5,534,310**	4,935,080
Expenses			
Common LHIN Services	**5,032,924**	**5,534,310**	4,935,080
Annual surplus	**-**	**-**	-

* Amounts due to TCLHIN and LHINC are eliminated upon consolidation.

Local Health Integration Network
LHIN Collaborative (LHINC)
Schedule of financial position and financial activities - Schedule III
year ended March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	223,918	102,630
Due from Local Health Integration Network ("LHIN")	33,000	-
HST receivable	5,681	-
Due from LSSO*	85,736	-
	348,335	102,630
Liabilities		
Accounts payable and accrued liabilities	336,035	34,825
Due to TC LHIN*	12,744	67,805
	348,779	102,630
Net debt	(444)	-
Non-financial assets		
Prepaid expenses	444	-
Accumulated surplus	-	-

		2011	2010
	Budget (Unaudited)	Actual	Actual
	$	$	$
Revenue			
Amounts recovered/recoverable from the LHINs	700,000	733,000	172,000
MOHLTC funding	670,000	670,000	670,000
	1,370,000	1,403,000	842,000
Expenses			
Collaborative LHIN expenses	1,370,000	1,403,000	842,000
Annual surplus	-	-	-

* Amounts due from the LHIN Shared Services office and due to TC LHIN are eliminated upon consolidation.

50 Sportsworld Crossing Road, Suite 220
Kitchener, ON N2P 0A4
Tel: 519 650 4472
Toll Free: 1 866 306 5446 Fax: 519 650 3155
www.wwlhin.on.ca
www.wwpartnersinhealth.ca

Waterloo Wellington **LHIN**

Management's Responsibility for the Financial Statements

March 31, 2011

The integrity and objectivity of the accompanying financial statements of the Waterloo Wellington Local Health Integration Network (WWLHIN) is the responsibility of management. These financial statements have been prepared in compliance with legislation and in accordance with Generally Accepted Account Principles (GAAP) and under Public Sector Accounting Board (PSAB).

Management is also responsible for maintaining a system of internal controls designed to provide reasonable assurance that assets are safeguarded, transactions are properly authorized and recorded, and reliable financial information is available on a timely basis for the preparation of the financial statements. These systems are monitored and evaluated by management, the Audit Committee and Board of Directors.

Management meets with the external auditors and the Board of Directors to review the financial statements and discuss any significant financial reporting or internal control matters prior to approval of the financial statements.

The financial statements have been audited by Deloitte & Touche LP, independent external auditors appointed by the Board of Directors.

Bruce Lauckner
Chief Executive Officer

Brian Swainson
Director, Business Management

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of the Board of Directors of the
Waterloo Wellington Local Health Integration Network

We have audited the accompanying financial statements of Waterloo Wellington Local Health Integration Network, which comprise the statement of financial position as at March 31, 2011, and the statements of financial activities, changes in net debt and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Waterloo Wellington Local Health Integration network as at March 31, 2011 and the results of its financial activities, changes in its net debt and its cash flows for the years then ended in accordance with Canadian public sector accounting standards.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
May 30, 2011

Waterloo Wellington Local Health Integration Network

Statement of financial position
as at March 31, 2011

	2011	2010
	$	$
Financial assets		
Cash	**1,042,057**	1,056,475
Due from Ministry of Health and Long-Term Care	**-**	43,500
Due from the Local Health Integration Networks Shared Services Office (Note 4)	**-**	1,233
Other receivables	**49,732**	-
	1,091,789	1,101,208
Liabilities		
Accounts payable and accrued liabilities	**1,076,709**	1,027,385
Due to Ministry of Health and Long-Term Care (Note 3b)	**33,086**	27,286
Due to the Local Health Integration Networks Shared Services Office (Note 4)	**8,934**	-
Deferred capital contributions (Note 5)	**290,752**	384,155
Deferred revenue	**-**	46,537
	1,409,481	1,485,363
Commitments (Note 6)		
Net debt	**(317,692)**	(384,155)
Non-financial assets		
Prepaid expenses	**26,940**	-
Capital assets (Note 7)	**290,752**	384,155
Accumulated surplus	**-**	-

Approved by the Board

Chair

Director

Waterloo Wellington Local Health Integration Network

Statement of financial activities
year ended March 31, 2011

	2011		2010
	Budget (Unaudited) (Note 8)	Actual	Actual
	$	$	$
Revenue			
Ministry of Health and Long-Term Care funding			
Health Service Providers transfer payments (Note 9)	860,916,865	920,425,127	870,764,285
Local Health Integration Network operations - general and administrative	4,354,419	4,478,487	4,030,745
E-Health (Note 10a)	-	600,000	600,000
Emergency Department Lead (Note 10b)	-	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	100,000
Aboriginal Planning (Note 10d)	-	5,000	5,000
Ontario Diabetes Strategy (Note 10e)	-	-	25,000
French Language Services (Note 10f)	-	50,537	15,163
Diabetes Self-Management (Note 10g)	-	-	35,000
Health Equity Impact Assessment (Note 10h)	-	-	8,500
Critical Care Lead (Note 10i)	-	75,000	-
Amortization of deferred capital contributions (Note 5)	-	105,306	146,019
	865,271,284	925,914,457	875,804,712
Expenses			
Transfer payments to Health Service Providers (Note 9)	860,916,865	920,425,127	870,764,285
Local Health Integration Network operations - general and administrative (Note 11)	4,354,419	4,554,707	4,176,716
E-Health (Note 10a)	-	600,000	600,000
Emergency Department Lead (Note 10b)	-	75,000	75,000
Emergency Department/Alternative Levels of Care Lead (Note 10c)	-	100,000	100,000
Aboriginal Planning (Note 10d)	-	5,000	5,000
Ontario Diabetes Strategy (Note 10e)	-	-	25,000
French Language Services (Note 10f)	-	46,537	15,163
Diabetes Self-Management (Note 10g)	-	-	16,351
Health Equity Impact Assessment (Note 10h)	-	1,478	-
Critical Care Lead (Note 10i)	-	75,000	-
	865,271,284	925,882,849	875,777,515
Annual surplus before funding repayable to Ministry of Health and Long-Term Care	-	31,608	27,197
Funding repayable to Ministry of Health and Long-Term Care (Note 3b)	-	(31,608)	(27,197)
Annual surplus	-	-	-
Opening accumulated surplus	-	-	-
Closing accumulated surplus	-	-	-

Waterloo Wellington Local Health Integration Network

Statement of changes in net debt
year ended March 31, 2011

	Budget (Unaudited) (Note 8)	2011	2010
		$	$
Annual surplus	-	-	-
Change in prepaid expenses	-	(26,940)	17,235
Acquisition of capital assets	-	(11,903)	(323,674)
Amortization of capital assets	-	105,306	146,019
Decrease in net debt	-	66,463	(160,420)
Opening net debt	-	(384,155)	(223,735)
Closing net debt	-	(317,692)	(384,155)

Waterloo Wellington Local Health Integration Network

Statement of cash flows
year ended March 31, 2011

	2011	2010
	$	$
Operating transactions		
Annual surplus	-	-
Less items not affecting cash		
Amortization of capital assets	105,306	146,019
Amortization of deferred capital contributions (Note 5)	(105,306)	(146,019)
	-	-
Changes in non-cash operating items		
Decrease (increase) in due from Ministry of Health and Long-Term Care	43,500	(43,500)
Decrease (increase) in due from Local Health Integration Networks Shared Services Office	1,233	(1,233)
(Increase) in other receivables	(49,732)	-
Increase (decrease) in accounts payable and accrued liabilities	49,324	(11,487)
Increase in due to Ministry of Health and Long-Term Care	5,800	27,197
Increase (decrease) in due to Local Health Integration Networks Shared Services Office	8,934	(17,511)
(Decrease) increase in deferred revenue	(46,537)	46,537
(Increase) decrease in prepaid expenses	(26,940)	17,235
	(14,418)	17,238
Acquisition of capital assets	(11,903)	(323,674)
Financing transactions		
Capital contributions received (Note 5)	11,903	323,674
Net (decrease) increase in cash	(14,418)	17,238
Cash, beginning of year	1,056,475	1,039,237
Cash, end of year	1,042,057	1,056,475

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

1. Description of business

The Waterloo Wellington Local Health Integration Network ("WW LHIN") was incorporated by Letters Patent on June 2, 2005 as a corporation without share capital. Following Royal Assent to Bill 36 on March 28, 2006, it was continued under the *Local Health System Integration Act, 2006* (the "Act") as the WW LHIN and its Letters Patent were extinguished. As an agent of the Crown, the LHIN is not subject to income taxation.

A Local Health Integration Network ("LHIN") is, and exercises its powers only as, an agent of the Crown. Limits on the LHIN's ability to undertake certain activities are set out in the Act.

Each LHIN has also entered into an Accountability Agreement with the Ministry of Health and Long-Term Care ("MOHLTC"), which provides the framework for LHIN accountabilities and activities.

Commencing April 1, 2007, all funding payments to LHIN managed Health Service Providers ("HSPs") in a LHIN geographic area, have flowed through each LHIN's financial statements. Funding allocations from the MOHLTC are reflected as revenue and an equal amount of transfer payments to authorized HSPs are expensed in each LHIN's financial statements for the year ended March 31, 2011.

The mandates of the WW LHIN are to plan, fund and integrate the local health system within its geographic area. The WW LHIN spans carefully defined geographical areas and allows for local communities and health care providers within the geographical area to work together to identify local priorities, plan health services and deliver them in a more coordinated fashion. The WW LHIN covers all of the County of Wellington, the Region of Waterloo, and the City of Guelph. The WW LHIN also contains part of Grey County, which is split with the South West and the North Simcoe Muskoka LHINs. The WW LHIN enters into service accountability agreements with health service providers.

2. Significant accounting policies

The financial statements of the WW LHIN are the representations of management, prepared in accordance with Canadian generally accepted accounting principles for governments as established by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants ("CICA") and, where applicable, the recommendations of the Accounting Standards Board ("AcSB") of the CICA as interpreted by the Province of Ontario. Significant accounting policies adopted by the WW LHIN are as follows:

Basis of accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the fiscal year that the events giving rise to the revenues occur and they are earned and measurable; expenses are recognized in the fiscal year that the events giving rise to the expenses are incurred, resources are consumed, and they are measurable.

Through the accrual basis of accounting, expenses include non-cash items such as the amortization of capital assets and impairments in the value of assets.

Ministry of Health and Long-Term Care Funding

The WW LHIN is funded solely by the Province of Ontario in accordance with the Ministry LHIN Performance Agreement ("MLPA"), which describes budget arrangements established by the MOHLTC. These financial statements reflect agreed funding arrangements approved by the MOHLTC. The WW LHIN cannot authorize an amount in excess of the budget allocation set by the MOHLTC.

The WW LHIN assumed responsibility to authorize transfer payments to HSPs, effective April 1, 2007. The transfer payment amount is based on provisions associated with the respective HSP Accountability Agreement with the WW LHIN. Throughout the fiscal year, the WW LHIN authorizes and notifies the MOHLTC of the transfer payment amount; the MOHLTC, in turn, transfers the amount directly to the HSP. The cash associated with the transfer payment does not flow through the WW LHIN bank account.

The WW LHIN statements do not include any Ministry managed programs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

2. Significant accounting policies (continued)

Government transfer payments

Government transfer payments from the MOHLTC are recognized in the financial statements in the year in which the payment is authorized and the events giving rise to the transfer occur, performance criteria are met, and reasonable estimates of the amount can be made.

Certain amounts, including transfer payments from the MOHLTC, are received pursuant to legislation, regulation or agreement and may only be used in the conduct of certain programs or in the completion of specific work. Funding is only recognized as revenue in the fiscal year the related expenses are incurred or services performed. In addition, certain amounts received are used to pay expenses for which the related services have yet to be performed. These amounts are recorded as payable to the MOHLTC at period end.

Deferred capital contributions

Any amounts received that are used to fund capital assets, are recorded as deferred capital contributions and are recognized as revenue over the useful life of the asset reflective of the provision of its services. The amount recorded under "revenue" in the statement of financial activities, is in accordance with the amortization policy applied to the related capital asset recorded.

Capital assets

Capital assets are recorded at historic cost. Historic cost includes the costs directly related to the acquisition, design, construction, development, improvement or betterment of capital assets. The cost of capital assets contributed is recorded at the estimated fair value on date of contribution. Fair value of contributed capital assets is estimated using the cost of asset or, where more appropriate, market or appraisal values. Where an estimate of fair value cannot be made, the capital asset would be recognized at nominal value.

Maintenance and repair costs are recognized as an expense when incurred. Betterments or improvements that significantly increase or prolong the service life or capacity of a capital asset are capitalized. Computer software is recognized as an expense when incurred.

Capital assets are stated at cost less accumulated amortization. Capital assets are amortized over their estimated useful lives as follows:

Computer equipment, furniture and fixtures	3 years straight-line method
Leasehold improvements	Life of lease straight-line method
Office equipment	5 years straight-line method
Web development	3 years straight-line method

For assets acquired or brought into use during the year, amortization is provided for a full year.

Segment disclosures

A segment is defined as a distinguishable activity or group of activities for which it is appropriate to separately report financial information. Management has determined that existing disclosures in the statement of financial activities and within the related notes for both the prior and current year sufficiently discloses information of all appropriate segments and, therefore, no additional disclosure is required.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

3. Funding repayable to the MOHLTC

In accordance with the MLPA, the WW LHIN is required to be in a balanced position at year end. Thus, any funding received in excess of expenses incurred, is required to be returned to the MOHLTC.

a) The amount repayable to the MOHLTC related to current year activities is made up of the following components:

	Revenue	Expenses	2011 Surplus	2010 Surplus
	$	$	$	$
Transfer payments to HSPs	920,425,127	920,425,127	-	-
LHIN operations	4,583,793	4,554,707	29,086	48
E-Health	600,000	600,000	-	-
Emergency Department Lead	75,000	75,000	-	-
Emergency Department/ Alternative Levels of Care Lead	100,000	100,000	-	-
Aboriginal Planning	5,000	5,000	-	-
Ontario Diabetes Strategy	-		-	-
French Language Services	50,537	46,537	4,000	-
Diabetes Self-Management	-	-	-	18,649
Health Equity Impact Assessment	-	1,478	(1,478)	8,500
Critical Care Lead	75,000	75,000	-	-
	925,914,457	925,882,849	31,608	27,197

b) The amount due to the MOHLTC at March 31 is made up as follows:

	2011	2010
	$	$
Due to MOHLTC, beginning of year	27,286	89
Paid to MOHLTC during year	(25,808)	-
Funding repayable to the MOHLTC related to current year activities (Note 3a)	31,608	27,197
Due to MOHLTC, end of year	33,086	27,286

4. Related party transactions

The LHIN Shared Services Office (the "LSSO") and the Local Health Integration Collaborative (the "LHINC") are divisions of the Toronto Central LHIN and are subject to the same policies, guidelines and directives as the Toronto Central LHIN. The LSSO, on behalf of the LHINs is responsible for providing services to all the LHINs. The full costs of providing these services are billed to all the LHINs. Any portion of the LSSO operating costs overpaid (or not paid) by the LHINs at the year end are recorded as a receivable (payable) from (to) the LSSO. This is all done pursuant to the shared service agreement the LSSO has with all the LHINs.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

4. Related party transactions (continued)

The LHINC was formed in fiscal 2011 to strengthen relationships between and among health service providers, associations and the LHINs, and to support system alignment. The purpose of LHINC is to support the LHINs in:

- fostering engagement of the health service provider community in support of collaborative and successful integration of the health care system;
- their role as system manager;
- where appropriate, the consistent implementation of provincial strategy and initiatives;
- the identification and dissemination of best practices.

LHINC is a LHIN-led organization and accountable to the LHINs. LHINC is funded by the LHINs with support from the MOHLTC.

5. Deferred capital contributions

	2011	2010
	$	$
Balance, beginning of year	**384,155**	206,500
Capital contributions received during the year	**11,903**	323,674
Amortization for the year	**(105,306)**	(146,019)
	290,752	384,155

6. Commitments

The WW LHIN has commitments under various operating leases and maintenance contracts related to building, software and equipment. Lease renewals are likely. Minimum lease payments due in each of the next five years are as follows:

	$
2012	292,545
2013	325,259
2014	329,121
2015	333,083
2016	349,524
Thereafter	1,324,499

The WW LHIN also has funding commitments to HSPs associated with accountability agreements. The actual amounts which will ultimately be paid are contingent upon actual WW LHIN funding received from the MOHLTC.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

7. Capital assets

	Cost	Accumulated amortization	2011 Net book value	2010 Net book value
	$	$	$	$
Office equipment, furniture and fixtures	338,622	156,273	182,349	232,178
Computer equipment	48,756	28,740	20,016	26,179
Web development	23,043	23,043	-	-
Leasehold improvements	689,250	600,863	88,387	125,798
	1,099,671	808,919	290,752	384,155

8. Budget figures

The budget figures reported in the Statement of financial activities reflect the initial budget at April 1, 2010 as approved by the LHIN Board. The figures have been reported for the purposes of these statements to comply with PSAB reporting requirements. During the year the government approved budget adjustments. The following reflects the adjustments for the WW LHIN during the year:

The final HSP funding budget of $920,425,127 is derived as follows:

	$
Initial budget	860,916,865
Additional funding received during the year	59,508,262
Final budget	920,425,127

The final LHIN general and administrative and specific initiatives budget of $4,478,487 is derived as follows:

	$
Initial budget	4,354,419
Additional funding received during the year	135,971
Amount treated as capital contributions made during the year	(11,903)
Final budget	4,478,487

No budget was set for items appearing on the Statement of changes in net debt.

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

9. Transfer payments to HSPs

The WW LHIN has authorization to allocate the funding of $920,425,127 to the various HSPs in its geographic area. The WW LHIN approved transfer payments to the various sectors in fiscal 2011 as follows:

	2011	2010
	$	$
Operations of hospitals	**562,147,855**	532,644,311
Grants to compensate for municipal taxation - public hospitals	**159,225**	159,225
Long term care homes	**147,875,383**	138,689,922
Community care access centre	**101,024,036**	94,389,560
Community support services	**16,998,689**	15,474,635
Assisted living services in supportive housing	**6,241,198**	6,206,398
Community Health Centres	**16,579,197**	15,044,242
Community mental health programs	**28,419,993**	27,492,660
Specialty psychiatric hospitals	**30,209,100**	29,908,500
Addictions programs	**8,803,304**	8,479,238
Health infrastructure renewal fund	**1,967,147**	2,275,594
Total	**920,425,127**	870,764,285

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives

a) E-Health

The WW LHIN received funding of $600,000 (2010 - $600,000) from the MOHLTC. These funds were used toward initiatives in support of its strategic E-Health Plan as defined in its Integrated Health Services Plan. E-Health expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries, benefits and consulting services	**506,893**	560,278
Other	**93,107**	39,722
	600,000	600,000

b) Emergency Department Lead

The WW LHIN received funding of $75,000 (2010 - $75,000) related to the Emergency Department Lead. Emergency Department Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries, benefits and consulting services	**74,030**	72,909
Other	**970**	2,091
	75,000	75,000

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives (continued)

c) *Emergency Department/Alternative Levels of Care Lead*

The WW LHIN received funding of $100,000 (2010 - $100,000) related to the Emergency Department/Alternative Levels of Care Lead. Emergency Department/Alternative Levels of Care Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries, benefits and consulting services	100,000	100,000
	100,000	100,000

d) *Aboriginal Planning*

The WW LHIN received funding of $5,000 (2010 - $5,000) related to Aboriginal Planning. Aboriginal Planning expenses incurred during the year are as follows:

	2011	2010
	$	$
Community engagement	5,000	5,000
	5,000	5,000

e) *Ontario Diabetes Strategy*

The WW LHIN received funding of $nil (2010 - $25,000) related to the Ontario Diabetes Strategy. No Ontario Diabetes Strategy expenses were incurred during the year.

	2011	2010
	$	$
Salaries and benefits	-	25,000
	-	25,000

f) *French Language Services*

The WW LHIN received funding of $50,537 (2010 - $15,163) related to French Language Services. French Language Services expenses incurred during the year are as follows:

	2011	2010
	$	$
Salaries and benefits	17,610	8,278
Other	28,927	6,885
	46,537	15,163

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

10. Separate funding amounts were received by the WW LHIN from the MOHLTC for specific initiatives (continued)

g) Diabetes Self-Management

The WW LHIN received funding of $nil (2010 - $35,000) related to Diabetes Self Management. No Diabetes Self-Management expenses were incurred during the year.

	2011	2010
	$	$
Consulting services	-	1,001
Other	-	15,350
	-	16,351

h) Health Equity Impact Assessment

The WW LHIN received funding of $nil (2010 – $8,500) related to Health Equity Impact Assessment. Health Equity Impact Assessment expenses incurred during the year are as follows:

	2011	2010
	$	$
Other	1,478	-
	1,478	-

The MOHLTC allowed for $1,478 of expenses incurred in 2011 to be applied against prior year funding.

i) Critical Care Lead

The WW LHIN received funding of $75,000 (2010 – $nil) related to Critical Care Lead. Critical Care Lead expenses incurred during the year are as follows:

	2011	2010
	$	$
Consulting services	75,000	-
	75,000	-

Waterloo Wellington Local Health Integration Network

Notes to the financial statements
March 31, 2011

11. LHIN operations - general and administrative expenses

The Statement of financial activities presents expenses by function. The following classifies general and administrative expenses by object:

	2011	2010
	$	$
Salaries and benefits	**2,949,762**	2,702,925
Occupancy	**317,182**	210,273
Amortization	**105,306**	146,019
Shared services	**379,155**	362,714
LHIN Collaborative	**45,000**	12,286
Public relations	**64,715**	93,775
Consulting services	**107,370**	158,181
Supplies	**81,998**	64,488
Board Chair per diems	**80,805**	82,250
All other board members' per diems	**35,100**	34,100
Other governance costs	**45,674**	69,886
Mail, courier and telecommunications	**62,038**	69,097
Other	**280,603**	170,722
	4,554,707	4,176,716

12. Pension agreements

The WW LHIN makes contributions to the Hospitals of Ontario Pension Plan ("HOOPP"), which is a multi-employer plan, on behalf of approximately 30 members of its staff. The plan is a defined benefit plan, which specifies the amount of retirement benefit to be received by the employees, based on the length of service and rates of pay. The amount contributed to HOOPP for fiscal 2011 was $281,497 (2010 - $237,232) for current service costs and is included as an expense in the Statement of Financial Activities. The last actuarial valuation was completed for the plan on December 31, 2010. At that time, the plan was fully funded.

13. Guarantees

The WW LHIN is subject to the provision of the *Financial Administration Act*. As a result, in the normal course of business, the WW LHIN may not enter into agreements that include indemnities in favour of third parties, except in accordance with the *Financial Administration Act* and the related Indemnification Directive.

An indemnity of the Chief Executive Officer was provided directly by the WW LHIN pursuant to the terms of the *Local Health System Integration Act, 2006* and in accordance with s. 28 of the *Financial Administration Act*.

METROLINX
An agency of the Government of Ontario

July 05, 2011

Management's Responsibility for Financial Information

Metrolinx Management and the Board of Directors are responsible for the financial statements and all other information presented in these financial statements. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles established by the Canadian Institute of Chartered Accountants. Where appropriate, the financial statements include amounts based on management's best estimates and judgements.

Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information. Internal audits are conducted to assess management systems and practices, and reports are issued to the Audit Committee.

The Metrolinx Board of Directors, through the Audit Committee, assures that management fulfills its responsibilities for financial information and internal control. This Committee reviews the financial statements and the external auditors' report.

The financial statements have been examined by Deloitte & Touche LLP, Metrolinx's appointed external auditor. The external auditor's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with Canadian generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

For the fiscal year ended March 31, 2011, Metrolinx's Board of Directors, through the Audit Committee, was responsible for assuring that management fulfilled its responsibilities for financial reporting and internal control. The Committee meets regularly with management, the internal auditor and Deloitte & Touche LLP to satisfy itself that each group has discharged its respective responsibility. The Committee reviews the financial statements before recommending approval by the Board of Directors. Deloitte & Touche LLP had direct and full access to the Audit Committee, with and without the presence of management, to discuss their audit and their findings as to the integrity of Metrolinx's financial reporting and the effectiveness of the system of internal controls.

Bruce McCuaig
President and Chief Executive Officer

Robert Siddall
Chief Financial Officer

Deloitte

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Independent Auditor's Report

To the Members of Metrolinx

We have audited the accompanying financial statements of Metrolinx, which comprise the statement of financial position as at March 31, 2011, and the statements of operations, changes in net assets and of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metrolinx as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other Matter

The financial statements of the prior period, which are included for comparative purposes, were audited by a predecessor auditor who issued an unmodified opinion dated June 18, 2010.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
July 7, 2011

Metrolinx

Statement of financial position
as at March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Assets		
Current assets		
Cash and cash equivalents	**158,432**	120,454
Accounts receivable (Note 6 (c))	**167,094**	41,189
Contributions due from Province of Ontario	**21,332**	59,480
Contributions due from Municipalities	**2,736**	20,000
Contributions due from Government of Canada	**49,153**	47,733
Spare parts and supplies	**3,699**	4,377
Prepaid expenses	**9,799**	5,434
	412,245	298,667
Funds being held for Province of Ontario (Note 5)	**46,667**	46,667
Long-term receivable	**-**	800
Capital assets (Note 6 (a))	**4,943,774**	3,803,277
Deposit on land	**2,665**	56,485
Advances on capital projects (Note 7)	**72,843**	47,421
Long-term lease (Note 8)	**29,188**	29,515
	5,507,382	4,282,832
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	**365,118**	251,914
Unearned revenue in respect of tickets sold and not used	**9,299**	10,024
	374,417	261,938
Advance from Province of Ontario (Note 5)	**46,667**	46,667
Deferred capital contributions (Note 9)	**3,821,176**	3,083,736
Pension plan top-up benefits payable (Note 11)	**26,464**	23,281
Other employee future benefits payable (Note 12)	**45,631**	41,777
	4,314,355	3,457,399
Commitments (Note 15)		
Contingencies (Note 16)		
Net assets		
Net assets invested in capital assets (Note 13)	**1,198,107**	823,447
Net assets invested in long-term lease	**29,188**	29,515
Net assets internally restricted (Note 14)	**26,332**	26,332
Deficiency of net assets	**(60,600)**	(53,861)
	1,193,027	825,433
	5,507,382	4,282,832

On behalf of the Board

_______________ Director

Stephen Smith _______________ Director

See accompanying notes to the financial statements.

Metrolinx

Statement of operations
year ended March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Revenues		
Operating revenue	**333,840**	301,427
Contribution from the Province of Ontario	**97,137**	68,427
Contribution from the Government of Canada	**177**	77
Investment income	**1,150**	313
Amortization of deferred capital contributions (Note 9)	**220,607**	171,712
	652,911	541,956
Expenses		
Supplies and services (Note 6 (b))	**34,123**	15,185
Equipment maintenance	**55,044**	51,296
Facilities and track	**58,865**	53,110
Labour and benefits	**150,411**	137,408
Rail and bus operations	**143,757**	134,670
Amortization of capital assets	**220,823**	169,528
Amortization of long term lease	**327**	327
Loss (gain) on disposal of capital assets	**781**	(7,219)
	664,131	554,305
Excess of expenses over revenues	**(11,220)**	(12,349)

See accompanying notes to the financial statements.

Metrolinx

Statement of changes in net assets
year ended March 31, 2011
(In thousands of dollars)

	Invested in capital assets (Note 13)	Invested in long-term lease	Internally restricted net assets (Note 14)	Deficiency	2011 Total	2010 Total
	$	$	$	$	$	$
Balance, beginning of year	823,447	29,515	26,332	(53,861)	825,433	424,192
Excess of expenses over revenues				(11,220)	(11,220)	(12,349)
Amortization (net of amortization to revenue)	(2,545)	(327)	-	2,872	-	-
Assets contributed by the Province of Ontario (Note 17 (c))	2,006	-	-	-	2,006	58,536
Land acquisitions, net of deposits	374,313	-	-	-	374,313	298,639
Disposal of land	(1,318)	-	-	1,318	-	-
Disposal of TATOA assets	(291)	-	-	291	-	-
Deposit on land	2,495	-	-	-	2,495	56,415
Balance, end of year	1,198,107	29,188	26,332	(60,600)	1,193,027	825,433

See accompanying notes to the financial statements.

Metrolinx

Statement of cash flows
year ended March 31, 2011

(In thousands of dollars)

	2011	2010
	$	$
Operating activities		
Excess of expenses over revenues	(11,220)	(12,349)
Amortization of capital assets and long-term lease	221,150	169,855
Loss (gain) on disposal of capital assets	781	(7,219)
Amortization of deferred capital contributions	(220,607)	(171,712)
Employee future benefits, net of payments	7,037	4,924
	(2,859)	(16,501)
Change in non-cash working capital		
Accounts receivable	(125,906)	(11,503)
Contributions due from Province of Ontario	38,148	(59,480)
Contributions due from Municipalities	17,264	264
Contributions due from Government of Canada	(1,420)	63,978
Spare parts and supplies	678	(352)
Prepaid expenses	(4,365)	2,661
Accounts payables and accrued liabilities	113,204	57,089
Unearned revenue in respect of tickets sold and not used	(725)	2
Due to Province of Ontario	-	(37,057)
	34,019	(899)
Investing activities		
Long-term receivable	800	800
Purchase of capital assets	(1,259,516)	(1,052,989)
Proceeds from sale of capital assets	3,158	16,200
Deposit on land	(2,495)	(56,415)
Advances on capital projects	(72,843)	(47,421)
	(1,330,896)	(1,139,825)
Financing activities		
Grants received for purchase of land	376,808	355,056
Deferred capital contributions received or receivable	958,047	801,768
	1,334,855	1,156,824
Net increase in cash and cash equivalents	37,978	16,100
Cash and cash equivalents, beginning of year	120,454	104,354
Cash and cash equivalents, end of year	158,432	120,454
Non-cash transaction		
Assets contributed by the Province of Ontario (Note 17 (c))	2,006	58,536

See accompanying notes to the financial statements.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

1. Nature of operations

Metrolinx is a Crown agency, reporting to the Minister of Transportation of Ontario ("MTO"). It is a non-share capital corporation and is exempt from income taxes under Section 149(1) (d) of the Income Tax Act (Canada).

Metrolinx was created by sections of the Greater Toronto Transportation Authority Act, 2006 which were proclaimed on August 24, 2006. On May 14, 2009, Bill 163 was proclaimed amending the Greater Toronto Transportation Authority Act, 2006 and changing the title of the Act to the Metrolinx Act, 2006. Metrolinx's mandate is to lead the coordination, planning, financing and development of an integrated multi-modal transportation network for the Greater Toronto and Hamilton Area (GTHA). Taking a regional approach, Metrolinx will bring together the province, municipalities and local transportation authorities to produce long-term economically and environmentally sustainable transportation solutions.

GO Transit is a division of Metrolinx that operates an interregional public transit system consisting of integrated rail and bus corridors. The network of rail and bus services primarily serves communities across the Greater Toronto and Hamilton Area including the Cities of Toronto and Hamilton, and Regions of Halton, Peel, York, Durham as well as Simcoe County, Dufferin County, Wellington County and the cities of Barrie and Guelph and the Town of Bradford-West Gwillimbury.

During the year Metrolinx assumed responsibility to construct and operate a rail service between Pearson International Airport and Union Station. A separate operating division has been created to support the delivery of the project as at April 1, 2011.

2. Summary of significant accounting policies

Basis of presentation

These financial statements are prepared by management in accordance with Canadian generally accepted accounting principles. As indicated in Note 1, effective May 14, 2009 the operations of GO Transit were wound up into Metrolinx.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks net of bank overdrafts and highly liquid short-term investments with maturities of three months or less at the time of purchase.

Spare parts and supplies

Spare parts and supplies are carried at the lower of cost and net realizable value. Cost is determined using the weighted-average method.

Capital assets

Capital assets are recorded at cost. The cost of a capital asset includes all costs directly related to the acquisition, construction, development or betterment of the capital asset. Salaries, wages and associated employee benefits for staff directly involved in the acquisition, development or construction of a capital asset are included in the cost of the capital asset.

Metrolinx has adopted a whole property approach in capitalizing and amortizing its buildings, rail equipment and bus equipment. Under this approach, all components attached to the building structure (lighting, elevators, air conditioning, etc) are amortized over a composite service life of the property as a whole.

If the development or construction of a capital asset is terminated or deferred indefinitely before completion, the costs capitalized to date are expensed, unless there is an alternative use for the capital asset.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Amortization

Metrolinx provides for the amortization of the various classes of assets over their estimated useful lives on a straight-line basis as follows:

Buildings and equipment	
Shelters and ticket booths	5 years
Other buildings	20 years
Leasehold improvements	Lease life
Locomotives	20 years
Other railway rolling stock	25 years
Improvements to railway right-of-way plant	20 years
Track work and installation	20 years
Buses including double decker buses	10 years
Parking lots	20 years
Enterprise software	7 years
Computer equipment and software	5 years
Grade separations	50 years
Sundry	
Furniture	12 years
Other	3-7 years

Work-in-progress is comprised of direct construction and development costs. No amortization is recorded until construction is substantially completed and the assets are ready for productive use.

Long-term lease

Long-term lease represents the prepayment of the lease regarding Union Station. The amount is being amortized straight-line over 100 years, being the term of the lease plus one renewal period.

Employee future benefits

Metrolinx provides pension plan benefits through the multi-employer OMERS Pension Fund. The expense for the period equals the required contribution for the period.

Metrolinx provides a Top-Up pension plan benefit using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Metrolinx also provides other employee future benefits using the accrued benefit method which reflects the projected benefits for services rendered to date. Adjustments arising from employee benefit plan amendments, experience gains and losses and changes in assumptions are amortized to earnings over the estimated average remaining service lives of the members.

Commuter services revenue

Revenue is recognized when the transportation service is provided. Unearned amounts are reflected in the statement of financial position as unearned revenue.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Contributions

Metrolinx follows the deferral method of accounting for contributions. Unrestricted contributions, including operating grants are recognized as revenue in the period to which they relate.

Deferred capital contributions relate to funds received for the acquisition of capital assets. These deferred capital contributions are recognized as revenue over the same period as the amortization of the related capital asset.

Internally restricted net assets

Internally restricted net assets are internally restricted to provide a funding source for planned future obligations and to provide flexibility against uncertainties which may arise. All reserves are approved by the Board of Directors and are disclosed on the statement of financial position as net assets.

Classification of financial instruments

Cash and cash equivalents are classified as held for trading. Accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada and funds being held for Province of Ontario have been classified as loans and receivables. Accounts payable and accrued liabilities and advance from Province of Ontario have been classified as other financial liabilities.

Held for trading items are measured at fair value, with changes in their fair value recognized in the Statement of operations in the current period. Loans and receivables are measured at amortized cost, using the effective interest method, net of any impairment. Other financial liabilities are measured at amortized cost, using the effective interest method.

Contracts to buy or sell a non-financial item

As permitted for not for profit organizations, Metrolinx has made an accounting policy choice not to apply Section 3855, Financial Instruments - Recognition and Measurement, to contracts to buy or sell a non-financial item including derivatives embedded therein. Contracts related to the diesel fuel purchases are therefore excluded from the application of Section 3855 and not recognized in the financial statements but disclosed in Note 3.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The items subject to the most significant estimates are unearned revenue, amortization of capital assets, certain accrued liabilities, pension plan top-up benefits payable and other employee future benefits payable.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

2. Summary of significant accounting policies (continued)

Future accounting policy

In December 2010, the Canadian Institute of Chartered Accountants ("CICA") issued a new accounting framework applicable to Not-for-Profit Organizations. Effective for fiscal years beginning on or after January 1, 2012, government Not-for-Profit Organizations must adopt Public Sector Accounting (PSA) Standards as their new underlying accounting framework and will have to choose between (a) the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook; or (b) the CICA PSA Handbook without the Not-for-Profit accounting standards. Metrolinx currently plans to apply the Not-for-Profit accounting standards which are incorporated into the CICA PSA Handbook (for its fiscal year beginning on April 1, 2012). The impact of transitioning to these new standards has not been determined at this time.

3. Financial instruments

Fair values

The fair values of cash and cash equivalents, accounts receivable, contributions due from Province of Ontario, contributions due from Municipalities, contributions due from Government of Canada, funds being held for Province of Ontario, accounts payable and accrued liabilities and advance from Province of Ontario approximate their carrying amounts because of their short term to maturity.

Other accounts noted on the Statement of financial position, such as prepaid expenses, capital assets, deposit on land, advances on capital projects, long term lease, unearned revenue, deferred capital contributions, pension plan top-up benefits payable and other employee future benefits payable are not financial instruments.

Metrolinx has elected to follow the disclosure requirements of Section 3861 "Financial Instruments - Disclosure and Presentation" of the CICA Handbook.

Credit risk

Metrolinx is subject to credit risk through its receivables. It is management's opinion that the risk is minimal as most of the receivables are from federal, provincial and municipal governments and organizations controlled by them.

Interest rate risk

Metrolinx does not have significant exposure to interest rate risk.

Other price risk

Metrolinx is exposed to changes in crude oil prices as a result of diesel fuel consumption. The potential fluctuations in crude oil prices could have a significant impact on the cost of providing transportation services. This risk is reduced, from time to time, through the use of diesel fuel forward purchase contracts to lock in firmly committed future operating costs for own use consumption. As at March 31, 2011, Metrolinx does not have any forward purchase contracts in place.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

4. Capital disclosures

The capital structure of Metrolinx consists of net assets and deferred capital contributions.

Metrolinx's main objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide the appropriate level of services to its stakeholders.

Metrolinx is subject to restrictions in how it is to utilize its externally restricted deferred capital contributions. Metrolinx employs internal control processes to ensure the restrictions are met prior to the utilization of these resources and has been in compliance with these restrictions throughout the period.

Metrolinx manages its capital structure and makes adjustments to it in light of economic conditions and the risk characteristics of the underlying assets.

5. Funds being held for Province of Ontario

In 2007 the former Greater Toronto Transit Authority (GO Transit) received $46,667 from the Province of Ontario for their contribution towards the Toronto Transit Commission ("TTC") participation in the GTA Farecard project. TTC has not yet met the requirements to receive this funding and consequently the cash held by Metrolinx and the obligation to the Province have been segregated on the statement of financial position.

6. Capital assets

a)

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Land	1,104,078	-	1,104,078	707,971
Buildings	504,630	249,614	255,016	196,063
Leasehold improvements	26,431	21,846	4,585	2,906
Locomotives and other railway			-	
rolling stock	1,172,799	274,178	898,621	748,214
Improvements to railway			-	
right-of-way plant	1,220,332	479,790	740,542	414,406
Track work and installation	401,987	112,774	289,213	274,079
Work-in-progress	1,121,794	-	1,121,794	1,088,572
Buses	269,093	125,802	143,291	158,270
Parking lots	258,118	96,158	161,960	155,035
Computer equipment and software	218,267	48,168	170,099	18,500
Other	126,517	71,942	54,575	39,261
	6,424,046	1,480,272	4,943,774	3,803,277

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

6. **Capital assets (continued)**

Work-in-progress includes the following:

	2011	2010
	$	$
Rail corridor expansion	**282,732**	418,344
Union Station	**139,177**	108,265
Rail fleet	**111,998**	127,963
PRESTO System	**61,086**	138,598
Light Rapid Transit and Bus Rapid Transit	**250,553**	50,969
Various	**276,248**	244,433
	1,121,794	1,088,572

b) Included in Supplies and services are costs related to design and development of tangible capital assets that will not be completed as planned. In 2011, Metrolinx deferred the design and construction of the new signaling system in the Union Station Rail Corridor. A portion of the cost incurred for this project is for elements not usable in the future and have been written off from Work-in-progress.

c) Included in accounts receivable is $52,984 (2010 - $nil) related to the design of the Light Rapid Transit (LRT) corridors in the City of Toronto. Based on a memorandum of understanding (MOU) between the City of Toronto, Metrolinx and the Province of Ontario, these projects have been cancelled or deferred at this time. The MOU provides for the recovery from the City of Toronto of expenditures relating to the design of the surface portion of the Eglinton LRT, the Finch West LRT and Sheppard East LRT. Accordingly, these costs have been reclassified from Work-in-progress to accounts receivable.

7. **Advances on capital projects**

Metrolinx has entered into Memorandum of Agreements (MOAs) with York Region Rapid Transit Corporation (YRRTC), The Regional Municipality of York (York Region), City of Toronto and the Toronto Transit Commission (TTC). The MOAs outline the projects, expected costs, and responsibilities of the parties involved. The MOAs also outline the definition of eligible costs and ownership rights of the projects specified in the agreements. The original MOAs were for the period April 1 to December 31, 2009. The MOA with YRRTC and York Region was extended until March 31, 2011. A Master Agreement with YRRTC and York Region was signed April 14, 2011 and covers both past and future eligible costs of constructing the bus rapidway. The MOA with the City of Toronto and the TTC was extended until May 31, 2011 and is currently being reviewed by all parties.

Pursuant to these agreements, advances were paid to the Region of York and to the Toronto Transit Commission to provide working capital totalling $72,843 (2010 - $47,421) to fund projects being developed by the Region of York and Toronto Transit Commission on behalf of Metrolinx. The advanced funds are to be held in a separate account and any interest accrued will be applied against the project.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

7. Advances on capital projects (continued)

As at March 31, 2011, Metrolinx has expended approximately $346.3 million (2010 - $129.1 million) in relation to these projects, including the following amounts which have been advanced for costs expected to be incurred to June 30, 2011.

	2011	2010
	$	$
Region of York	48,248	22,732
Toronto Transit Commission	24,595	24,689
	72,843	47,421

8. Long-term lease

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
	$	$	$	$
Leasehold, Union Station	32,704	3,516	29,188	29,515

9. Deferred capital contributions

The changes in the deferred capital contributions for the year are as follows:

	2011	2010
	$	$
Balance, beginning of year	3,083,736	2,453,680
Contributions received or receivable in the period for capital asset acquisitions		
Province of Ontario	904,263	739,919
Municipalities	29,179	24,409
Government of Canada	24,605	37,440
Amortization of deferred capital contributions	(220,607)	(171,712)
Balance, end of year	3,821,176	3,083,736

Metrolinx realized a shortfall in Municipal funding related to its capital program. The Province has provided funding to bridge the shortfall in the current year in the amount of $25,155 (2010 - $50,868) and the cumulative amount is $199,956. The Province will work with its Municipal partners to address the funding shortfalls.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

10. Pension contributions

Metrolinx provides pension benefits for substantially all of its permanent employees through participation in the Ontario Municipal Employees Retirement System (OMERS) Pension Fund. The amount expensed in pension contributions for the year ended March 31, 2011 is $9,409 (2010 - $8,132).

11. Pension plan top-up benefits payable

With repatriation of the former GO Transit to the Province in 2002, bargaining and non-bargaining employees requested the Province to rectify the difference in pension benefits to be received by employees of GO Transit. When GO Transit was transferred from the Province to the Greater Toronto Services Board in 1999, the Provincial Plans were frozen and a new plan commenced under OMERS. It had been resolved that GO Transit was responsible for the pension obligation. GO Transit completed an actuarial valuation as of April 1, 2010. The expense for the year has been determined using the projected unit credit method pro-rated on service, applied in conformity with Section 3461 of the CICA Handbook. The pension expense recognized during the year is $3,485 (2010 - $2,347).

For the purpose of accounting for top-up benefits, Metrolinx has adopted the policy to recognize gains and losses in a year in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's pension plan top-up is as follows:

	2011	2010
	$	$
Accrued benefit obligation	36,345	30,998
Fair value of plan assets	734	448
Funded status - plan deficit	35,611	30,550
Unamortized net actuarial loss	(9,147)	(7,269)
Accrued benefit liability	26,464	23,281

Details of the accrued benefit obligation are as follows:

	2011	2010
	$	$
Accrued benefit obligation, beginning of year	30,998	17,486
Current service cost	1,009	776
Interest cost on accrued benefit obligation	1,991	1,605
Benefit payments	(315)	(237)
Actuarial loss on accrued benefit obligation	2,662	11,368
Accrued benefit obligation, end of year	36,345	30,998

Metrolinx

Notes to the financial statements

March 31, 2011

(In thousands of dollars)

11. Pension plan top-up benefits payable (continued)

Details of the pension expense are as follows:

	2011	2010
	$	$
Current service cost	1,009	776
Interest cost on accrued benefit obligation	1,991	1,605
Actual return on plan assets	(1)	(2)
Actuarial gain on obligation	2,662	11,368
Expected return vs. actual return on plan assets	1	2
Amortization of gain vs. actual gain in year on obligation	(2,177)	(11,402)
	3,485	2,347

Plan assets by asset category are as follows:

	2011	2010
	%	%
Cash invested	25	21
Cash on deposit with Canada Revenue Agency	75	79
	100	100

Other information about Metrolinx's benefit plan is as follows:

	2011	2010
	$	$
Employer contributions	600	300
Benefits paid	315	237

The significant actuarial assumptions adopted in measuring Metrolinx's pension plan Top-up benefit obligations are as follows:

Discount rate	5.75% (2010 - 6.25%)
Rate of compensation increase	3% (2010 - 3%)
Inflation per annum	2% (2010 - 2%)
Expected average remaining service life	8 years (2010 - 10 years)

12. Other employee future benefits payable

Metrolinx provides post-retirement life and health benefits, Workplace Safety & Insurance Board ("WSIB") liabilities and retiree severance benefits. The plan is unfunded and requires nominal contributions from employees. Substantially all full time active employees are eligible for life and health benefits. A limited number of employees are eligible for severance benefits.

The measurement date of the plan assets and accrued benefit obligation is March 31 of each year. The most recent actuarial valuation of the other employee future benefits for funding purposes was as of March 31, 2011. The valuation was performed in accordance with the standards of the Canadian Institute of Actuaries. The financial statement items resulting from the valuation have been determined in accordance with Section 3461 of the CICA Handbook. The post-retirement non-pension benefits recognized during the period were $5,647 (2010 - $5,129).

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

12. Other employee future benefits payable (continued)

For the purpose of accounting for post-retirement non-pension benefits, Metrolinx has adopted the policy to recognize gains and losses in a period in excess of the minimum amortization (which is the portion of accumulated gains and losses which exceed 10% of the accrued benefit obligation, divided by the expected average remaining service life).

Information about Metrolinx's post-retirement non-pension benefits is as follows:

	2011	2010
	$	$
Accrued benefit obligation	62,622	49,391
Fair value of plan assets	-	-
Funded status - plan deficit	62,622	49,391
Unamortized net actuarial loss	(16,991)	(7,614)
Accrued benefit liability	45,631	41,777

Details of the accrued benefit obligation are as follows:

	2011	2010
	$	$
Accrued benefit obligation, beginning of year	49,391	35,381
Current service cost	2,601	2,471
Interest on accrued benefit obligation	2,924	2,794
Benefit payments	(1,781)	(1,951)
Actuarial loss on accrued benefit obligation	9,487	10,696
Accrued benefit obligation, end of year	62,622	49,391

Details on the post-retirement non-pension benefits expense are as follows:

	2011	2010
	$	$
Current service cost	2,601	2,471
Interest cost on accrued benefit obligation	2,924	2,794
Actuarial loss on obligation	9,487	10,696
Amortization of loss vs. actual loss in year on obligation	(9,365)	(10,832)
	5,647	5,129

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

12. Other employee future benefits payable (continued)

The significant actuarial assumptions adopted in measuring Metrolinx's post-retirement non-pension benefit obligations are as follows:

Discount rate for post-retirement non-pension benefit	5.8% (2010 - 6.20%)
Discount rate for WSIB liabilities	5.5% (2010 - 5%)
Discount rate for retiree severance benefits	4.6% (2010 - 5%)
Expected average remaining service life for post-retirement non-pension benefit	14 years (2010 -14 years)
Expected average remaining service life for WSIB liabilities	10 years (2010 -10 years)
Expected average remaining service life for retiree severance benefits	9 years (2010 - 9 years)
Rate of compensation increase	3% (2010 - 3%)
Inflation per annum	2.25% (2010 - 2%)
Initial Weighted Average Health Care Trend Rate	6.7% (2010 - 6.85%)
Ultimate Weighted Average Health Care Trend Rate	4.2% (2010 - 4.5%)
Dental care benefits increase	4% (2010 - 4.5%)

13. Net assets invested in capital assets

	2011	2010
	$	$
Capital assets	**4,943,774**	3,803,277
Deposits on land	**2,665**	56,485
Advances on capital projects	**72,843**	47,421
Less deferred capital contributions used to purchase capital assets	**(3,821,176)**	(3,083,736)
	1,198,107	823,447

14. Internally restricted net assets

The internally restricted net assets as at both March 31, 2011 and 2010 are as follows:

	$
MCOR	21,051
Employment obligation	889
Self insured retention	2,013
Stabilization	2,379
	26,332

The Municipal Capital and Operating Restructuring (MCOR) reserve was established to assist in funding large capital expenditures.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

The Employment Obligation reserve was established to assist in funding general employment related obligations of Metrolinx.

The Self Insured Retention reserve was established to assist in funding any claims against the self-insured retention layer of Metrolinx's insurance program.

The Stabilization reserve was established to assist in funding fluctuations in operating and capital budgets of Metrolinx from year to year.

15. Commitments

a) The minimum operating lease payments in each of the next five years are as follows:

	$
2012	11,284
2013	11,341
2014	5,570
2015	3,757
2016	2,502
Subsequent	1,882
	36,336

b) Metrolinx has also committed approximately $2.6 billion for various capital asset additions/projects.

c) A significant amount of the services provided by Metrolinx are operated and maintained by outside parties. These services are governed by the agreements with the Canadian National Railway Company ("CN"), Canadian Pacific Railway Company ("CP") and Bombardier Inc. and by a number of minor service agreements. Metrolinx has entered into the following major agreements for approximately $112,000 per year:

i) Master Operating Agreement with CN that terminated on May 31, 2010 has been extended until such time as a new agreement is finalized.

ii) Commuter Agreement with CP that terminated on December 31, 2010 has been extended until such time as a new agreement is finalized.

iii) Equipment Maintenance Contract with Bombardier terminating on May 31, 2013.

iv) Rail Crew Contract with Bombardier terminating May 31, 2013.

d) As at year-end; Metrolinx had outstanding letters of credit totalling $338 (2010 - $2,098).

16. Contingencies

Various lawsuits have been filed against Metrolinx for incidents which arose in the ordinary course of business. Management has reviewed these claims and made provisions as appropriate. Where the outcome of a claim is not yet determinable, any settlement will be recorded when it is determined that a claim is likely to be settled and the amount is determinable.

Metrolinx

Notes to the financial statements
March 31, 2011
(In thousands of dollars)

17. Related party transactions and balances

Metrolinx had the following transactions with related parties during the year:

a) The Ontario Ministry of Transportation charged Metrolinx $1,639 (2010 - $4,602) during the year for the provision of services provided by the Ontario Ministry of Transportation. At March 31, 2011, accounts payable and accrued liabilities included $437 (2010 - $551) owing to the Ontario Ministry of Transportation.

b) During the year ended March 31, 2010 the Ontario Ministry of Transportation charged Metrolinx $1,188 for land sold by the Ontario Ministry of Transportation. During the year ended March 31, 2011 the amount has been adjusted to $3 to bring it down to the net book value of this asset maintained by the Ontario Ministry of Transportation at the time of sale. At March 31, 2011, accounts receivable included $1,185 owing by the Ontario Ministry of Transportation in this respect.

c) During the year ended March 31, 2011 Metrolinx purchased land for two dollars from the Ontario Ministry of Transportation. The transfer was treated as a contribution from the Province equivalent to the net book value of this asset maintained by the Ministry, that amounted to $2,006.

The transactions in 17a) are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Contributions of capital assets from the Province are recorded at the carrying amount.

Balances due from/to the Province of Ontario are separately disclosed on the Statement of financial position. Amounts are non-interest bearing with no specified terms of repayments.

18. Guarantees

In the normal course of business, Metrolinx enters into agreements that meet the definition of a guarantee.

(a) In the normal course of business, Metrolinx has entered into agreements that include indemnities in favour of third parties such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements. These indemnification agreements may require Metrolinx to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

(b) Indemnity has been provided to all directors and or officers of Metrolinx including, but not limited to, all costs to settle suits or actions due to association with Metrolinx, subject to certain restrictions. Metrolinx has purchased directors' and officers' liability insurance to mitigate the cost of any potential future suits or actions. The term of the indemnification is not explicitly defined, but is limited to the period over which the indemnified party served as a trustee, director or officer of Metrolinx. The maximum amount of any potential future payment cannot be reasonably estimated.

The nature of these indemnification agreements prevents Metrolinx from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability which stems from the unpredictability of future events and the unlimited coverage offered to counterparties.

Historically, Metrolinx has not made any significant payments under such or similar indemnification agreements and therefore no amount has been recorded with respect to these agreements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Management Report

The accompanying financial statements are the responsibility of the management of Metropolitan Toronto Convention Centre Corporation. The financial statements have been prepared by management in accordance with Canadian generally accepted accounting policies. The statements include certain amount based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Corporation's assets are properly accounted for and adequately safeguarded.

The financial statements have been audited by KPMG LLP, a firm of independent external auditors appointed by the Board of Director, whose report follows.

Imtiaz Dhanjee
Vice President Finance
June 10,2011

KPMG LLP
Chartered Accountants
Bay Adelaide Centre
333 Bay Street Suite 4600
Toronto ON M5H 2S5
Canada

Telephone (416) 777-8500
Fax (416) 777-8818
Internet www.kpmg.ca

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Metropolitan Toronto
Convention Centre Corporation and the Minister
of Tourism

We have audited the accompanying financial statements of Metropolitan Toronto Convention Centre Corporation, which comprise the balance sheet as at March 31, 2011, the statements of operations, deficiency and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Metropolitan Toronto Convention Centre Corporation as at March 31, 2011, and its results of operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

KPMG LLP

Chartered Accountants, Licensed Public Accountants

June 10, 2011
Toronto, Canada

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Balance Sheet

March 31, 2011, with comparative figures for 2010

	2011	2010
Assets		
Current assets:		
Cash	$ 8,315,899	$ 5,296,419
Cash committed for capital projects	1,275,110	3,307,000
Customer deposits	6,208,100	5,280,949
Accounts receivable	3,470,423	2,806,339
Inventories	444,444	384,053
Prepaid expenses	351,031	371,756
	20,065,007	17,446,516
Non-current assets:		
Customer deposits	2,514,389	1,829,057
Capital assets (note 3)	125,149,267	125,966,900
Employee future benefits (note 6)	1,632,800	1,453,000
	129,296,456	129,248,957
	$ 149,361,463	$ 146,695,473
Liabilities and Shareholder's Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 6,422,338	$ 4,734,836
Distribution payable	–	2,700,000
Deferred revenue	6,208,100	5,280,949
	12,630,438	12,715,785
Non-current liabilities:		
Deferred revenue	2,514,389	1,829,057
Employee future benefits (note 6)	449,400	287,300
	2,963,789	2,116,357
Shareholder's equity:		
Deficiency	(9,083,469)	(10,987,374)
Contributed surplus (note 4)	142,850,705	142,850,705
	133,767,236	131,863,331
Commitments (note 5)		
	$ 149,361,463	$ 146,695,473

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Operations

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Revenue:		
Food and beverage	$ 22,997,060	$ 16,796,682
Facility rentals	14,295,816	14,356,372
Parking	7,999,616	7,396,692
Other	10,591,042	8,938,107
	$ 55,883,534	$ 47,487,853
Gross operating profit	$ 33,602,837	$ 28,310,075
Operating expenses	21,944,345	19,065,403
Net operating income	11,658,492	9,244,672
Amortization, net of reallocation to operating expenses for parking garage of $114,885 (2010 - $114,000)	5,254,587	5,081,165
Net income	$ 6,403,905	$ 4,163,507

Statement of Deficiency

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Deficiency, beginning of year	$ (10,987,374)	$ (9,950,881)
Net income	6,403,905	4,163,507
Distribution payment to Ontario Financing Authority	(4,500,000)	(5,200,000)
Deficiency, end of year	$ (9,083,469)	$ (10,987,374)

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operations:		
Net income	$ 6,403,905	$ 4,163,507
Items not involving cash:		
Employee future benefits expense	(17,700)	(904,700)
Amortization	5,369,472	5,195,165
	11,755,677	8,453,972
Change in non-cash operating working capital:		
Customer deposits	(1,612,483)	33,987
Accounts receivable	(664,084)	(16,740)
Inventories	(60,391)	28,715
Prepaid expenses	20,725	161,208
Accounts payable and accrued liabilities	1,687,502	619,950
Deferred revenue	1,612,483	(33,987)
	12,739,429	9,247,105
Financing:		
Distribution payment to Ontario Financing Authority	(7,200,000)	(2,500,000)
Investments:		
Additions to capital assets	(4,551,839)	(3,687,894)
Increase in cash	987,590	3,059,211
Cash, beginning of year	8,603,419	5,544,208
Cash, end of year	$ 9,591,009	$ 8,603,419
Represented by:		
Cash	$ 8,315,899	$ 5,296,419
Cash committed for capital projects	1,275,110	3,307,000
	$ 9,591,009	$ 8,603,419

See accompanying notes to financial statements.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements

Year ended March 31, 2011

The Metropolitan Toronto Convention Centre Corporation (the "Corporation") is an other government organization of the Ministry of Tourism of the Province of Ontario and incorporated as a Corporation without share capital under Bill 141, the Metropolitan Toronto Convention Centre Corporation Act, 1988. The Corporation is a Crown Agency under the same act and is exempt from income taxes.

The Corporation operates a convention facility for conventions, trade shows, consumer shows, corporate and food and beverage events and parking facilities.

1. **Significant accounting policies:**

(a) Revenue recognition:

Revenue from facility rentals, food and beverage sales and the use of the Corporation's parking facilities is recognized when services are provided. Cancellation fees are recognized when an event is cancelled.

(b) Inventories:

Inventories are recorded at the lower of cost and net realizable value.

(c) Capital assets:

Capital assets, which are financed by government grants, are shown net of applicable grants.

Capital assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimate undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. **Significant accounting policies (continued):**

Amortization is charged on a straight-line basis over the following estimated useful lives of the assets:

Building	50 years
Furniture, fixtures and computer equipment	3 - 10 years
Leasehold improvements	5 - 20 years

(d) Deferred revenue:

Deferred revenue represents customer deposits received for future use of the Corporation's facilities. Deposits are applied against the customer's billing.

(e) Financial instruments:

Under The Canadian Institute of Chartered Accountants' ("CICA") Handbook Section 3855, Financial Instruments - Recognition and Measurement, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities, which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net income; and available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired, at which time, the amounts would be recorded in net income.

The Corporation has designated its cash, cash committed for capital projects and customer deposits as held-for-trading, which is measured at fair value. Accounts receivable is classified as loans and receivables. Accounts payable and accrued liabilities and distribution payable are classified as other financial liabilities.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. **Significant accounting policies (continued):**

(f) Use of estimates:

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the carrying amount of capital assets, valuation allowances for receivables, and assets and obligations related to employee future benefits. Actual results could differ from those estimates.

2. **Change in accounting policies:**

Effective April 1, 2011, the Corporation will adopt the CICA Public Sector Accounting Standards ("PSAS"), as requested by the Ministry of Finance. The Corporation's first financial statements prepared using these standards will be for the year ending March 31, 2012 and will include the comparative period for March 31, 2011.

The Corporation is currently evaluating the accounting policy differences between its current accounting standards and those proscribed under PSAS.

3. **Capital assets:**

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Building	$ 219,696,755	$ 59,011,123	$ 160,685,632	$ 162,128,642
Furniture, fixtures and computer equipment	26,095,150	19,788,363	6,306,787	6,214,175
Leasehold improvements	42,252,346	34,439,945	7,812,401	8,604,327
	288,044,251	113,239,431	174,804,820	176,947,144
Less government grants	85,914,604	36,259,051	49,655,553	50,980,244
	$ 202,129,647	$ 76,980,380	$ 125,149,267	$ 125,966,900

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Contributed surplus:

	2011	2010
Contributed surplus, beginning and end of year	$ 142,850,705	$ 142,850,705

The contributed surplus balance was created as a result of the Ontario Financing Authority (the "OFA") issuing a release to the Corporation as at March 30, 2003 from all of its obligations under the temporary expansion financing.

The Corporation agreed to make a minimum distribution payment to the Province of Ontario annually in the amount of $2,500,000 less any amount of payments in lieu of property taxes that it makes within that year and annually any such further amounts agreed to in writing by the Corporation and the OFA.

The Board of Directors has approved a distribution payment of $4,500,000 for 2011 (2010 - $5,200,000) to the OFA. Since the establishment of the distribution policy in fiscal year ended March 31, 2004, the total distribution amount is $44,000,000 (2010 - $39,500,000).

5. Commitments:

The Corporation is committed to minimum annual distributions to the OFA, as discussed in note 4, as well as minimum annual lease payments (including various estimates for executory costs) under various operating leases for facility rental premises, parking premises, office premises, computer equipment and equipment, as follows:

2012	$	5,960,605
2013		5,091,078
2014		4,728,897
2015		4,479,590
2016		4,389,886
Thereafter - 25 years		111,143,306
	$	135,793,362

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

---

6. Employee future benefits:

The Corporation maintains a registered pension plan that provides a defined benefit component and a defined contribution component. Under the defined benefit component of the pension plan, contributions are made by employees at specified rates and by the sponsor in such amounts and at such times as determined by the consulting actuaries. The defined benefit component of the plan provides pension benefits based on the length of service and best average pensionable earnings. In addition, certain retired employees also receive health and other post-retirement benefits paid for by the Corporation.

The Corporation accrues its obligations under the defined benefit plan as the employees render the services necessary to earn the pension and other retirement benefits. The actuarial determination of the accrued benefit obligations for pensions and other retirement benefits uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees and other actuarial factors). The measurement date of the post-employment plans and retirement compensation agreement coincides with the Corporation's fiscal year, and the defined benefit plan measurement date is December 31. The most recent actuarial valuations of the defined benefit plan for funding purposes (and the next required valuations) and the actuarial valuation of the other post-employment plans (and the next required valuations) are as follows:

(i) Defined benefit registered pension plan - December 31, 2007 (December 31, 2010 in progress);

(ii) Other post-employment plans - March 31, 2011 (March 31, 2014); and

(iii) Retirement compensation agreement - March 31, 2011 (March 31, 2012).

Actuarial gains (losses) on plan assets arise from the difference between the actual return on plan assets for a period and the expected return on plan assets for that period. For the purpose of calculating the expected return on plan assets, those assets are valued at fair value. Actuarial gains (losses) on the accrued benefit obligation arise from differences between actual and expected experience and from changes in the actuarial assumptions used to determine the accrued benefit obligation. The net accumulated actuarial gains (losses) are amortized over the average remaining service period of active employees.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Employee future benefits (continued):

As shown in the following table, the Corporation has a deficit of $1,996,400 (2010 - deficit of $2,957,200) for its employee future benefit plans. The funding deficit is offset by unamortized net actuarial loss of $3,179,800 (2010 - loss of $4,122,900) and results in an employee future benefit asset of $1,183,400 (2010 - $1,165,700) recorded in the financial statements. Currently, there are 150 employees enrolled in the defined benefit plan and 165 employees enrolled in the defined contribution plan.

During 2005, the Corporation had closed the defined benefit component of the plan. All new eligible plan members must join the defined contribution component of the plan. The defined contribution portion of the plan is fully funded as of March 31, 2011.

Information about the Corporation's pension plan and employee benefit arrangements are detailed in the table below:

	2011		2010	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Plan assets:				
Market value, beginning of year	$ 15,891,300	$ 717,500	$ 11,847,700	$ 754,500
Actual gain (loss) on plan assets	1,414,200	121,100	3,018,000	(58,600)
Employer contributions	1,296,900	21,200	1,428,700	97,400
Employee contributions	209,400	–	233,500	–
Benefits paid	(313,800)	(75,900)	(636,600)	(75,800)
Market value, end of year	$ 18,498,000	$ 783,900	$ 15,891,300	$ 717,500
Plan obligation:				
Accrued benefit obligation, beginning of year	$ 17,930,600	$ 1,635,400	$ 10,595,900	$ 1,229,400
Current service cost	875,000	64,500	409,700	54,000
Employee contributions	209,400	–	233,500	–
Interest cost	1,150,300	98,700	982,900	109,200
Benefits paid	(313,800)	(75,900)	(636,600)	(75,800)
Actuarial losses (gains)	(355,600)	59,700	6,345,200	318,600
Accrued benefit obligation, end of year	$ 19,495,900	$ 1,782,400	$ 17,930,600	$ 1,635,400
Plan surplus (deficit):				
Market value less accrued benefit obligation, end of year	$ (997,900)	$ (998,500)	$ (2,039,300)	$ (917,900)
Unamortized net actuarial loss	2,630,700	549,100	3,492,300	630,600
Accrued benefit asset (liability)	$ 1,632,800	$ (449,400)	$ 1,453,000	$ (287,300)

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Employee future benefits (continued):

	2011		2010	
	Pension plan	Employee benefits	Pension plan	Employee benefits
Benefit plan expense:				
Current service cost, net of employee contributions	$ 875,000	$ 64,500	$ 409,700	$ 54,000
Interest cost	1,150,300	98,700	982,900	109,200
Actual loss (gain) on plan assets	(1,414,200)	(121,100)	(3,018,000)	58,600
Actuarial losses (gains)	(355,600)	59,700	6,345,200	318,600
Net amortization	861,600	81,500	(4,245,400)	(383,900)
Net defined benefit plan expense	1,117,100	183,300	474,400	156,500
Defined contribution plan cost	440,900	–	438,400	–
Net benefit plan expense	$ 1,558,000	$ 183,300	$ 912,800	$ 156,500

The net accrued pension benefit asset of $1,632,800 (2010 - $1,453,000) and the net accrued employee benefit liability of $449,400 (2010 - $287,300) are included in the Corporation's balance sheet. Included in the net accrued employee benefit liability is a plan with an accrued employee benefit asset of $423,500 (2010 - $468,700).

The percentage of the fair value of plan assets by major category is as follows:

	2011	2010
Canadian equity securities	37.0%	35.3%
Global equity securities	26.4%	25.8%
Fixed income securities	35.8%	37.6%
Other	0.8%	1.3%

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Employee future benefits (continued):

The significant assumptions used in accounting for the plans are as follows (weighted average):

	Pension benefit plan		Other benefit plan	
	2011	2010	2011	2010
Accrued benefit obligation:				
Discount rate	6.00%	6.10%	6.00%	6.10%
Rate of compensation increase	3.25%	3.25%	3.25%	3.25%
Benefit cost for the year:				
Discount rate	6.10%	9.00%	6.10%	9.00%
Expected long-term rate of return on plan assets	7.00%	7.00%	3.50%	3.50%
Rate of compensation increase	3.25%	4.00%	3.25%	4.00%

Assumed health care cost trend rates at March 31:

	2011	2010
Initial health care cost trend rate	8.0%	9.0%
Cost trend rate declines to	5.0%	5.0%
Year that the rate reaches the rate it is assumed to remain at	2014	2014

7. Financial instruments, risk management and capital management:

(a) Financial instruments:

The Corporation's financial assets and liabilities consist of cash, cash committed for capital projects, customer deposits, accounts receivable, accounts payable and accrued liabilities and distribution payable. The carrying values are equal to their fair value due to their short-term nature.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

---

7. **Financial instruments, risk management and capital management (continued):**

The financial instruments which are recorded at fair value on the balance sheet are categorized as Level 1 (quoted prices in active markets) in the fair value hierarchy.

There were no financial instruments categorized in Level 2 (valuation technique using observable market inputs) or in Level 3 (valuation technique using non-observable market inputs) as at March 31, 2011 and 2010.

There were no changes in categorization of financial assets and liabilities into the three levels in the fair value hierarchy during the year.

(b) Risk management:

The Corporation's activities expose it to a variety of financial risks: credit risk and liquidity risk. Risk management is the responsibility of the Corporation's management who identifies and evaluates financial risks. Material risks are monitored and discussed with the Audit Committee of the Board of Directors. The Corporation does not utilize derivative financial instruments.

(i) Credit risk:

Credit risk arises from cash held with the banks and financial institutions and accounts receivable. The objective of managing counterparty credit risk is to prevent losses in financial assets. The Corporation assesses the quality of its counterparties, taking into account their creditworthiness and reputation, past experience and other factors.

METROPOLITAN TORONTO CONVENTION CENTRE CORPORATION

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Financial instruments, risk management and capital management (continued):

(ii) Liquidity risk:

Liquidity risk arises through the excess of financial obligations over available financial assets due at any point in time. The Corporation's objective in managing liquidity risk is to maximize available cash reserves to meet its liquidity requirements in order to meet obligations as they come due. The Corporation has established a conservative investment policy to achieve this objective. The governance of this policy refers to the Corporation's power to invest surplus monies only in the following investments:

(a) Canadian government securities (federal and provincial);

(b) guaranteed investment certificates; and

(c) deposit receipts, deposit notes and bankers' acceptance (Schedule A or B bank).

The policy also includes minimum quality requirements and recognized bond rating agencies pertaining to the above investments.

(c) Capital management:

As an other government organization, the Corporation's objective in managing capital is to safeguard the entity's ability to continue as a going concern and make distributions to the OFA.

8. Comparative figures:

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted in the current year.

THE NIAGARA PARKS COMMISSION
MANAGEMENT REPORT
October 31, 2010

The accompanying financial statements are the responsibility of the management of The Niagara Parks Commission.

These financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. Financial statements are not precise since they include certain amounts based on estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly, in all material respects.

The Commission maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance the financial information is relevant, reliable and accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Commission meets periodically with management to discuss the financial reporting process, auditing matters and financial reporting issues, and to satisfy itself that each party is properly discharging its responsibilities.

The financial statements have been audited by Grant Thornton LLP, the external auditors, in accordance with Canadian generally accepted auditing standards on behalf of the Commission, the Minister of Tourism and Culture and the Auditor General. Grant Thornton LLP has full and free access to the records of the Commission.

Robert J. McIlveen
Interim General Manager
December 22, 2010

John Wallace
Controller
December 22, 2010

GrantThornton

Auditors' report

Grant Thornton LLP
Suite B
222 Catharine Street, PO Box 336
Port Colborne, ON
L3K 5W1
T (905) 834-3651
F (905) 834-5095
www.GrantThornton.ca

To The Niagara Parks Commission,

the Minister of Tourism and Culture and the Auditor General

We have audited the balance sheet of The Niagara Parks Commission as at October 31, 2010 and the statements of operations, equity and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at October 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures as at October 31, 2009 and for the year then ended were audited by other auditors who expressed an opinion on those statements in their report dated December 18, 2009.

Grant Thornton LLP

Port Colborne, Ontario
December 22, 2010

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Balance Sheet

Statement 1

October 31	2010	2009
	(in thousands of dollars)	
Assets		
Current		
Cash	$ 6,502	$ 2,161
Accounts receivable	3,208	2,036
Inventories		
Saleable merchandise	5,135	5,129
Maintenance and other supplies	1,426	1,560
Prepaid expenses	487	386
	16,758	11,272
Fixed assets (Notes 3 and 6)	150,452	154,491
Other	49	56
	$ 167,259	$ 165,819
Liabilities and Equity		
Current		
Accounts payable	$ 6,088	$ 5,467
Accrued payroll	2,070	2,214
Deferred income (Note 4)	2,285	3,471
Current portion of long term financing (Note 6)	1,390	2,112
	11,833	13,264
Deferred Stimulus Funding (Note 5)	1,349	—
Long term financing (Note 6)	34,956	29,845
Post-employment benefits (Note 7)	3,759	3,600
Power Plant stabilization obligation (Note 9)	26,727	21,243
Equity (Note 11) (Statement 2)	88,635	97,867
	$ 167,259	$ 165,819

Commitments (Notes 9 and 12)

Contingencies (Notes 9 and 13)

On behalf of the Commission

[signature] Chair   Janice A. Thomson Vice Chair

See accompanying notes to the financial statements

The Niagara Parks Commission
Statement of Equity

Statement 2

Year Ended October 31	2010	2009
	(in thousands of dollars)	
Equity, beginning of year	**$ 97,867**	$ 123,079
Net loss (Statement 3)	**(9,232)**	(3,969)
Power Plant stabilization adjustment (Note 9)	—	(21,243)
Equity, end of year	**$ 88,635**	$ 97,867

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations

Statement 3

Year Ended October 31	2010	2009
	(in thousands of dollars)	
Income		
Gift shops, restaurants and attractions	$ 62,546	$ 62,346
Land rent	6,297	6,213
Commissions, rentals and fees	2,655	2,710
Premium on United States funds – net	314	307
Gain on disposal of fixed assets – net	2	665
Sundry income	226	153
	72,040	72,394
Expenses		
Gifts shops, restaurants and attractions		
Cost of goods sold	10,691	10,475
Operating expenses	30,214	29,512
Maintenance	12,968	12,393
Administrative and police	8,948	9,884
Marketing and promotion	3,588	4,101
	66,409	66,365
Net income for the year before undernoted items	5,631	6,029
Other items		
Interest expense – net (Note 14)	1,878	1,719
Depreciation (Note 15)	7,501	8,279
	9,379	9,998
Net loss from operations	(3,748)	(3,969)
Net increase in Power Plant obligation (Note 9)	5,484	—
Net loss	$ (9,232)	$ (3,969)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows

Statement 4

Year Ended October 31	2010	2009
	(in thousands of dollars)	
Operating activities		
Net loss	$ (9,232)	$ (3,969)
Charges against income not requiring an outlay of funds		
Post-employment benefits	343	369
Depreciation	7,501	8,279
Amortization of franchise fee	7	7
Gain on disposal of fixed assets – net	(2)	(665)
Increase in Power Plant obligation liability – net	5,484	—
	4,101	4,021
Net change in non-cash working capital balances related to operations (Note 16)	(1,854)	1,677
Funds provided by operating activities	2,247	5,698
Investing activities		
Fixed asset acquisitions (Note 16)	(3,462)	(4,086)
Proceeds on sale of fixed assets	2	685
Funds used by investing activities	(3,460)	(3,401)
Financing activities		
Net increase in deferred Stimulus Funding	1,349	—
Net increase (decrease) in long term financing	4,389	(2,062)
Cash outlay related to post-employment benefits	(184)	(329)
Funds acquired (used) by financing activities	5,554	(2,391)
Increase (decrease) in cash position	4,341	(94)
Cash position		
Beginning of year	2,161	2,255
End of year	$ 6,502	$ 2,161

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements

October 31, 2010

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,700 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as a "Government Business Enterprise" by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

The financial statements of the Commission are the representations of management prepared in accordance with Canadian generally accepted accounting principles, consistently applied. The financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

Revenue recognition

Income from gift shops, restaurants and attractions are recognized when merchandise has been transferred or services have been rendered. Income from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

Inventories

Inventories of saleable merchandise are valued at the lower of average cost and net realizable value.

Fixed assets

All fixed assets are recorded at cost. Depreciation has been recorded using the straight-line method, with rates from 2.5 to 14 percent for buildings, roadways and structures, 10 to 33 percent for equipment and furnishings and from 8 to 33 percent for vehicles.

Franchise fee

A franchise fee is classified as an other asset and is being amortized on a straight-line basis over ten years.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Gains and losses on translation are reflected in net earnings of the period.

Capitalized interest

The Commission capitalizes an amount of interest on all funds expended for those capital works in progress and financed via long term financing.

Financial instruments

The Commission has elected the following balance sheet classifications with respect to its financial assets and financial liabilities:

Cash is classified as "assets held for trading" and is measured at fair value.

Accounts receivable are classified as "loans and receivables" and are measured at amortized cost, which, upon initial recognition, is considered equivalent to fair value.

Accounts payable and accrued liabilities, other liabilities and long term financing are classified as "other financial liabilities" and are initially measured at fair value.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

3. Fixed assets

			2010	2009
			(in thousands of dollars)	
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 14,359		**$ 14,359**	$ 14,359
Land improvements	17,135		**17,135**	17,135
Buildings, roadways and structures	191,385	$ 82,027	**109,358**	113,206
Equipment and furnishings	40,802	34,365	**6,437**	8,018
Vehicles	9,329	8,135	**1,194**	1,243
	273,010	124,527	**148,483**	153,961
Capital works in progress	1,969	-	**1,969**	530
	$ 274,979	$ 124,527	**$ 150,452**	$ 154,491
Equipment under capital lease included above	$ 69	$ 21	**$ 48**	$ 55

4. Deferred income

	2010	2009
	(in thousands of dollars)	
Defunct power stations funding (Note 9)	**$ 507**	$ 1,517
Peace Bridge Authority sale proceeds (Note 10)	**1,304**	1,351
Other	**474**	603
	$ 2,285	$ 3,471

5. Deferred Stimulus Funding

The Commission has secured stimulus grant funding to renovate its heritage sites in the amount of $ 8.9 million and as of October 31, 2010 approximately $ 1.4 million was spent on these projects. The deferred funding will be amortized to income at the same rate as the related capital assets are depreciated.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

6. Long term financing	**2010**	2009
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$ 29,700**	$ 30,783
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**6,500**	
Unsecured fixed rate term loan requiring principal payments of $ 1,000,000 per annum, bearing interest at 4.01% through to December, 2009, repaid during the year		1,000
The Commission has an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 1,076 to August, 2011, secured by equipment with a net book value of $ 31,574	**9**	22
The Commission has an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 659 to May, 2011, secured by equipment with a net book value of $ 16,599	**5**	13
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 10)	**132**	139
	36,346	31,957
Less: portion due within one year	**1,390**	2,112
	$ 34,956	$ 29,845

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2011	$ 1,390
2012	1,455
2013	1,529
2014	1,606
2015	1,687

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration at the time of termination, for every year of full time service provided to the Commission to a maximum of 26 weeks. The accrued benefit liability as at October 31, 2010 is $ 3,759,218 (2009 - $ 3,600,464).

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2010 is $ 3,618,334 (2009 - $ 3,357,976). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. This valuation was completed for the year ending October 31, 2010.

Defined benefit plan information	2010	2009
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,759	3,600
Employee benefit plan deficit	$ 3,759	$ 3,600
Benefit obligation recognized on the balance sheet		
Benefit obligation, beginning of year	$ 3,600	$ 3,560
Expense for the year	343	369
Benefits paid during the year	(184)	(329)
Benefit obligation, end of year	$ 3,759	$ 3,600

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.

Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

7. Post-employment benefits (continued)

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 1,776,084 (2009 - $ 1,582,962), are included in the administrative and police expense on the Statement of Operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the Statement of Operations.

8. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000 provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2010, $ Nil has been drawn upon for all credit facilities (2009 – $ Nil).

9. Transfer of defunct power stations

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

9. Transfer of defunct power stations (continued)

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2010, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 21,680,725 as at October 31, 2010. This is an increase of $ 437,400 from 2009 and has been recorded in the Statement of Operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This equates to a present value of $ 6,159,189 as of October 31, 2010.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

9. Transfer of defunct power stations (continued)

Current year increase in present value of original obligation	$ 437,400
Present value of additional obligation related to additional studies	6,159,189
Actual work performed in 2010	(1,112,273)
Net increase in Power Plant stabilization obligation	$ 5,484,316

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 1,043,000 of the funding was utilized for this purpose during the current year.

In addition, the Commission has secured $ 425,000 funding from the Federal government to assist in the "stabilizing and mothball" process of the TPGS specifically. To date, approximately $ 202,000 of the funding has been received and utilized for this purpose during the current year.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

10. Niagara Parks Commission and Peace Bridge Authority land transfer obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred income on the Balance Sheet. To date approximately $ 100,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 was spent from these proceeds on the Jarvis Street property maintenance. The $ 100,000 spent on the capital works project will be amortized to income at the same rate as the related capital assets are depreciated.

11. Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

12. Commitments

The Commission has committed to approximately $ 8,150,000 in capital works projects in the next year, of which $ 7,500,000 is related to renovation of the heritage sites being funded by a Stimulus grant.

13. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

14. Interest expense

	2010	2009
	(in thousands of dollars)	
Interest income	$ (44)	$ (23)
Loan interest expense	1,922	1,742
	$ 1,878	$ 1,719

15. Depreciation

	2010	2009
	(in thousands of dollars)	
Depreciation of income producing assets	$ 4,244	$ 4,850
Depreciation of non-income producing assets	3,257	3,429
	$ 7,501	$ 8,279

16. Statement of cash flows

	2010	2009
	(in thousands of dollars)	
Changes in working capital components include:		
Accounts receivable	$ (1,172)	$ (36)
Inventories	128	(619)
Prepaid expenses	(101)	(83)
Accounts payable and accrued payroll	477	(689)
Deferred income	(1,186)	3,104
	$ (1,854)	$ 1,677

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

16. Statement of cash flows (continued)

Acquisition of fixed assets

During the year, fixed assets were acquired at an aggregate cost of $ 3,462,000 (2009 - $ 4,232,000) of which $ Nil (2009 - $ 146,000) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 3,462,000 (2009 - $ 4,086,000) were made to purchase fixed assets.

	2010	2009
	(in thousands of dollars)	
Interest received	$ 44	$ 23
Interest paid	$ 1,721	$ 1,820

17. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 489,657 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ 1.02 Canadian. The Commission realizes approximately 13.26% (2009 – 10.89%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

The Niagara Parks Commission
Notes to the Financial Statements
October 31, 2010

18. Operating leases

The Commission leases vehicles, equipment and premises under operating leases expiring in various years through 2012. The total obligation under operating leases amounts to approximately $ 520,000.

Future payments for each of the next two years are as follows:

	(in thousands of dollars)
2011	$ 301
2012	220

19. New reporting standards

For the 2011 fiscal year the Commission will be adopting the Public Sector Accounting Board standards (PSAB) or the International Financial Reporting Standards (IFRS). Currently the Commission is awaiting direction from the Province of Ontario as to which reporting framework will be adopted. The 2010 fiscal year amounts will be restated in accordance with the reporting framework adopted.

20. Comparative figures

Certain 2009 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2010.

Ontario
Northern Ontario Heritage Fund Corporation
Société de gestion du Fonds du patrimoine du Nord de l'Ontario

Place Roberta Bondar, Bureau 200, 70, promenade Foster, Sault Ste. Marie (Ontario) P6A 6V8
Tél. (705) 945-6700 ou 1-800-461-8329, Téléc. (705) 945-6701. www.nohfc.com

Responsibility for Financial Reporting

The accompanying financial statements of the Northern Ontario Heritage Fund Corporation (NOHFC) have been prepared in accordance with generally accepted accounting principles (GAAP) in Canada, and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 21, 2011.

Management is responsible for the integrity of the financial statements and maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities.

The Board, through the Audit Committee, is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee, comprised of members who are not employees/officers of the NOHFC, generally meets periodically with management and the Office of the Auditor General to satisfy itself that each group has properly discharged its respective responsibility.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditors' responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines other scope of the Auditor's examination and opinion.

Bruce Strapp Executive Director NOHFC	Mike Murray, CA Manager, Financial Services NOHFC	David Petersson, CGA Senior Financial Consultant NOHFC

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Northern Ontario Heritage Fund Corporation
and to the Minister of Northern Development, Mines and Forestry

I have audited the accompanying financial statements of the Northern Ontario Heritage Fund Corporation, which comprise the balance sheet as at March 31, 2011, and the statements of revenue and expenses and net investment by the Province of Ontario and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Northern Ontario Heritage Fund Corporation as at March 31, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted auditing principles.

Toronto, Ontario
June 21, 2011

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Balance Sheet
As at March 31, 2011

	2011 ($000s)	2010 ($000s)
Assets		
Cash and cash equivalents (Note 3)	216,940	220,073
Accrued interest	1,774	1,204
Advance to other Ministries	-	100
Receivable from the Province of Ontario	-	10,000
Loans receivable (Note 4)	55,430	43,627
	274,144	275,004
Patten Post Diversification Fund under administration (Note 5)	777	1,201
Duke Energy Fund under administration (Note 6)	235	241
	275,156	276,446
Liabilities		
Accounts payable	1,206	1,038
Patten Post Diversification Fund under administration (Note 5)	777	1,201
Duke Energy Fund under administration (Note 6)	235	241
	2,218	2,480
Net investment by the Province of Ontario	272,938	273,966
	275,156	276,446

Commitments (Note 9)

See accompanying notes to financial statements.

On behalf of the Board:

Co-Chair

Co-Chair

Executive Director

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Revenue and Expenses and Net Investment by the Province of Ontario
For the Year Ended March 31, 2011

	2011 ($000s)	2010 ($000s)
Revenue		
Province of Ontario grant	**90,000**	80,000
Interest on cash and cash equivalents	**2,294**	2,499
Interest on loans receivable	**2,355**	1,930
	94,649	84,429
Expenses		
Conditional contributions	**81,934**	72,892
Credit losses, net of recoveries (Note 7)	**6,683**	4,958
Administration (Note 8)	**7,060**	5,279
	95,677	83,129
Excess of (expenses over revenue) revenue over expenses	**(1,028)**	1,300
Net investment by the Province of Ontario, beginning of year	**273,966**	272,666
Net investment by the Province of Ontario, end of year	**272,938**	273,966

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Statement of Cash Flows
For the Year Ended March 31, 2011

	2011 ($000s)	2010 ($000s)
Lending, investing and financial assistance activities		
Loan disbursements	(21,868)	(10,762)
Purchase of loans from Northern Ontario Grow Bonds Corporation	-	(1,693)
Loan repayments and recoveries	3,850	6,717
Conditional contributions	(81,238)	(71,998)
Interest received on loans receivable	1,161	475
	(98,095)	(77,261)
Financing activities		
Cash contributions from the Province for:		
Lending and financial assistance activities	100,000	70,000
Operating activities		
Interest received on cash and cash equivalents	1,754	4,061
Administration costs	(6,892)	(5,310)
Advance to other Ministries	100	300
	(5,038)	(949)
Decrease in cash and cash equivalents	(3,133)	(8,210)
Cash and cash equivalents, beginning of year	220,073	228,283
Cash and cash equivalents, end of year	216,940	220,073

See accompanying notes to financial statements.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

1. NATURE OF THE BUSINESS

The Corporation was established, without share capital, on June 1, 1988 under the *Northern Ontario Heritage Fund Act*. The purpose of the Corporation is to fund infrastructure improvements and economic development opportunities in Northern Ontario by providing financial assistance by way of conditional contributions, forgivable performance loans, and incentive term loans. As an Ontario Crown agency, the Corporation is exempted from federal and provincial income taxes under the *Income Tax Act (Canada).*

The Corporation partners with communities, businesses, entrepreneurs and youth across Northern Ontario to create jobs and strengthen the Northern economy. The Corporation delivers seven targeted programs as follows: Enterprises North Job Creation Program, Youth Internship and Co-op Program, Young Entrepreneur Program, Northern Energy Program, Emerging Technology Program, Entrepreneur Program and Infrastructure and Community Development Program.

2. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The significant accounting policies used to prepare these statements are summarized below.

(a) Basis of Accounting

The financial statements have been prepared using the accrual method of accounting.

(b) Transactions with the Province of Ontario

The Province of Ontario contributes funds to finance the lending and financial assistance activities. The Province's investment is increased (reduced) by the excess (deficiency) of revenue over expenses.

(c) Cash and Cash Equivalents

Cash and cash equivalents consist primarily of funds on deposit in chartered banks and short-term investments on deposit with the Ontario Financing Authority, a related party.

(d) Provision for Credit Losses

Credit losses arise on loans receivable issued by the Corporation. In addition to specific write-offs and write-downs, a provision for credit losses is maintained in an amount considered adequate to absorb anticipated credit-related losses. The provision for losses on loans consists of provisions on specific loans and is deducted from loans receivable.

The amounts written off and written down in the year, net of realized recoveries of amounts written off and written down in prior years, and changes in provisions, are charged to credit losses in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Revenue Recognition

Government grants are recognized when receivable. Interest income is recognized on the accrual basis.

(f) Conditional Contributions and Forgivable Loans

Generally, loans are forgiven on condition that the borrower has met certain requirements after the loan is disbursed. The Corporation expenses conditional contributions and forgivable loans when disbursed, as historically the proponents have met all conditions. Recoveries of monies for which the conditions are not met are recognized in the year received.

(g) Use of Estimates

Preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimated.

(h) Financial Assets and Liabilities

CICA Handbook Section 3855 establishes standards for recognizing and measuring financial assets and financial liabilities. It requires that financial assets and liabilities be recognized on the Balance Sheet when the Corporation becomes party to the contractual provisions of a financial instrument. Under this standard, all financial instruments are required to be measured at fair value on initial recognition except certain related party transactions.

Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, loans and receivables, held to maturity, available for sale or financial liabilities. Management determines the classification of financial assets and liabilities at initial recognition and the designations made for each financial instrument are indicated in the notes. A description of the various designation classifications follows:

The financial instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized in net income. Section 3855 permits an entity to designate any financial instrument as held for trading on initial recognition or adoption of this standard, even if that instrument would not otherwise meet the definition of held for trading as specified in Section 3855. The Organization's financial instruments classified as held for trading are the cash and cash equivalents, accrued interest on investments, Patten Post Diversification Fund assets and Duke Energy Fund assets.

The financial assets classified as loans and receivables are measured at amortized cost. The Organization's financial instruments classified as loans and receivables include accrued interest on loans and loans receivable. Interest-free loans are discounted at the risk weighted rate assigned to similar loans to determine the present value of the loan. The difference between the face value of the loan and its present value is in substance, a grant, and is recognized as grants expense in the year when the loan is made. The amount of the loan discount is amortized to interest income over the interest free period.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Held to maturity and available for sale financial assets would be measured at fair value, however, there are no financial instruments classified as held to maturity or available for sale.

Financial instruments classified as other financial liabilities include Accounts Payable. Other financial liabilities are measured at amortized cost.

3. CASH AND CASH EQUIVALENTS

The *Northern Ontario Heritage Fund Act* restricts investments to securities issued or guaranteed by the provinces, Canada, United States, United Kingdom, the International Bank for Reconstruction and Development and any Canadian Schedule I or II bank, and other investments as authorized by the Lieutenant Governor in Council. The Corporation, through an Investment Management Agreement with the Ontario Financing Authority, invests excess funds in securities as allowed by the Act.

Cash and cash equivalents consist of:

	2011 ($000s)	2010 ($000s)
Cash	**21,555**	9,664
Short-term investments	**195,385**	210,409
	216,940	220,073

Short-term investments consist of treasury bills (maturing within 365 days) which yielded 1.10% on average (2010 – .75%). All treasury bills are redeemable on demand.

4. LOANS RECEIVABLE

	2011 ($000s)	2010 ($000s)
Current	**5,580**	3,913
Long-term	**67,433**	50,902
Provision for credit losses on specific loans	**(15,172)**	(8,812)
Loan discount	**(2,411)**	(2,376)
	55,430	43,627

Generally, loans bear fixed interest rates ranging from 0% to 9.25% and are fully repayable within 20 years from the date disbursed.

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

4. LOANS RECEIVABLE (CONTINUED)

The changes in the provision for credit losses on specific loans are as follows:

	2011 ($000s)	2010 ($000s)
Balance, beginning of year	8,812	15,741
Loans written off in the year	(323)	(11,887)
Change in loan provision	6,683	5,054
Recoveries	-	(96)
Balance, end of year	15,172	8,812

The changes in the loan discount balances are as follows:

	2011 ($000s)	2010 ($000s)
Balance, beginning of year	2,376	2,179
Amount of loan discount charged	696	1,268
Amount amortized to interest on loans receivable	(661)	(1,071)
Balance, end of year	2,411	2,376

5. PATTEN POST DIVERSIFICATION FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Ontario Power Generation Incorporated. The objective of the Fund is to benefit communities that suffered economic hardship as a result of uranium mine closures in the Elliot Lake area. The Corporation is responsible for processing applications for funding according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2011 ($000s)	2010 ($000s)
Investment income	24	25
Disbursements to communities	(448)	(271)
Net results for the year	(424)	(246)
Fund balance, beginning of year	1,201	1,447
Fund balance, end of year	777	1,201

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

6. DUKE ENERGY FUND UNDER ADMINISTRATION

The Corporation is responsible for the administration of a Fund whose proceeds were received from Union Gas Limited, a Duke Energy Company, on July 15, 2005. The objective of the Fund is to benefit Northern Ontario through funding for job-training projects proposed by educational institutions located in Northern Ontario under NOHFC's Emerging Technologies program. The Corporation is responsible for processing applications for funding based on advice from Duke Energy Company and according to established funding criteria until the balance in the fund is disbursed.

The activity of the Fund was as follows:

	2011 ($000s)	2010 ($000s)
Investment income	6	4
Disbursements to communities	(12)	-
Net results for the year	(6)	4
Fund balance, beginning of year	241	237
Fund balance, end of year	235	241

7. CREDIT LOSSES

Credit losses shown in the Statement of Revenue and Expenses and Net Investment by the Province of Ontario are as follows:

	2011 ($000s)	2010 ($000s)
Loans written off in the year	323	11,887
Less: amounts provided for in previous years	(284)	(11,128)
	39	759
Change in provision on active loans	6,644	4,295
Change in loan provision	6,683	5,054
Less: recoveries	-	96
Credit losses, net of recoveries	6,683	4,958

NORTHERN ONTARIO HERITAGE FUND CORPORATION

Notes to Financial Statements
March 31, 2011

8. ADMINISTRATION EXPENSES

Details of administration expenses in the year are as follows:

	2011 ($000s)	2010 ($000s)
Salaries and benefits	1,893	1,751
Transportation and communications	275	306
Services	1,950	1,356
Management fees	2,472	1,449
Marketing	419	352
Supplies and equipment	51	38
Collection fees	-	27
	7,060	5,279

The Ministry of Government Services provides pension benefits for all of NOHFC's permanent staff through participation in the Public Service Pension Fund and the Ontario Public Service Employees' Union Pension Fund which are both multi-employer defined benefit pension plans established by the Province of Ontario. The costs of the pension plans, and other post-retirement non-pension benefits provided to eligible staff are paid by the Ministry and are not included in these financial statements.

9. COMMITMENTS

Funds committed but not disbursed as at March 31, 2011 are $203,597,806 (2010: $209,204,995).

10. FUTURE ACCOUNTING PRONOUNCEMENTS

Recent changes announced by the Canadian Institute of Chartered Accounts (CICA) require government organizations, such as the Corporation, to consider the needs of the users of their financial statements in determining whether standards in the CICA Public Sector Handbook (PSAB) or international financial reporting standards (IFRS) are the most appropriate basis of accounting to adopt. The Corporation has chosen to adopt the PSAB standard for the fiscal year effective April 1, 2011.

Ontario

Agency for Health Protection and Promotion

Agence de protection et de promotion de la santé

480 University Avenue, Suite 300
Toronto, Ontario M5G 1V2
Telephone: 647-260-7100
Facsimile: 647-260-7600

480, avenue University, 3e étage
Toronto (Ontario) M5G 1V2
Téléphone: 647 260-7100
Télécopieur: 647 260-7600

MANAGEMENT RESPONSIBILITY REPORT

Ontario Agency for Health Protection and Promotion (OAHPP) management is responsible for preparing the accompanying financial statements in conformity with Canadian public sector accounting standards for government not-for-profit organizations as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

In preparing these financial statements management selects appropriate accounting policies and uses its judgment and best estimates to report events and transactions as they occur. Management has determined such amounts on a reasonable basis in order to ensure that the financial statements are presented fairly in all material respects. Financial data included throughout this Annual Report is prepared on a basis consistent with that of the financial statements.

OAHPP maintains a system of internal accounting controls designed to provide reasonable assurance, at a reasonable cost, that assets are safeguarded and that transactions are executed and recorded in accordance with OAHPP policies for doing business.

The Board of Directors is responsible for ensuring that management fulfills its responsibility for financial reporting and internal control, and is ultimately responsible for reviewing and approving the financial statements. The Board carries out this responsibility principally through its Audit and Finance Standing Committee. The Committee meets at least four times annually to review audited and unaudited financial information. Ernst & Young LLP has full and free access to the Audit and Finance Standing Committee.

Management acknowledges its responsibility to provide financial information that is representative of OAHPP operations, is consistent and reliable, and is relevant for the informed evaluation of OAHPP activities.

Vivek Goel
President and CEO

Norman Rees, CA
Chief Financial Officer

June 22, 2011

INDEPENDENT AUDITORS' REPORT

To the Members of
Ontario Agency for Health Protection and Promotion

We have audited the accompanying financial statements of **Ontario Agency for Health Protection and Promotion**, which comprise the statement of financial position as at March 31, 2011and the statement of operations, changes in net assets and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of **Ontario Agency for Health Protection and Promotion**as at March 31, 2011and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Ernst + Young LLP

Toronto, Canada,
June 22, 2011.

Chartered Accountants
Licensed Public Accountants

Ontario Agency for Health Protection and Promotion

STATEMENT OF FINANCIAL POSITION

[in thousands of dollars]

	March 31, 2011 $	March 31, 2010 $	April 1, 2009 $
ASSETS			
Current			
Cash	**29,026**	13,089	11,012
Accounts receivable *[note 4]*	**2,146**	159	234
Prepaid expenses	**968**	651	592
Total current assets	**32,140**	13,899	11,838
Restricted cash *[note 5]*	**7,596**	7,684	7,734
Accounts receivable *[note 4]*	**840**	—	—
Capital assets, net*[note 6]*	**18,573**	17,737	12,788
	59,149	39,320	32,360
LIABILITIES AND NET ASSETS			
Current			
Accounts payable and accrued liabilities	**29,957**	13,620	12,702
Total current liabilities	**29,957**	13,620	12,702
Deferred capital asset contributions*[note 7]*	**19,413**	17,737	12,788
Deferred contributions*[note 8]*	**2,637**	2,061	2,039
Accrued benefit liability *[note 9]*	**5,797**	5,350	4,831
Other	**1,345**	552	—
Total liabilities	**59,149**	39,320	32,360
Commitments and contingencies *[note 11]*			
Net assets	—	—	—
	59,149	39,320	32,360

See accompanying notes

On behalf of the Board:

Director Director

Ontario Agency for Health Protection and Promotion

STATEMENT OF OPERATIONS

[in thousands of dollars]

Year ended March 31

	2011 $	2010 $
REVENUE		
Ministry of Health and Long-Term Care	**116,666**	112,069
Ministry of Health Promotion and Sport	**3,657**	182
Amortization of deferred capital asset contributions	**4,853**	3,348
Other grants	**1,342**	857
Miscellaneous recoveries	**740**	497
	127,258	116,953
EXPENSES *[note 9]*		
Public health laboratory program	**89,358**	93,672
Other public health programs	**21,456**	8,955
General and administration	**11,591**	10,978
Amortization of capital assets	**4,853**	3,348
	127,258	116,953
Excessof revenue over expenses for the year	**—**	—

See accompanying notes

Ontario Agency for Health Protection and Promotion

STATEMENT OF CHANGES IN NET ASSETS

[in thousands of dollars]

Year ended March 31

	2011 $	2010 $
Net assets, beginning of year, as originally stated	17,999	13,049
Impact of change in basis of accounting *[note 2]*	(17,999)	(13,049)
Net assets, beginning of year, after change in basis of accounting	—	—
Excess of revenue over expenses for the year	—	—
Net assets, end of year	—	—

See accompanying notes

Ontario Agency for Health Protection and Promotion

STATEMENT OF CASH FLOWS

[in thousands of dollars]

Year ended March 31

	2011 $	2010 $
OPERATING ACTIVITIES		
Excess of revenue over expenses for the year	—	—
Add (deduct) items not affecting cash		
Amortization of deferred capital asset contributions	**(4,853)**	(3,348)
Amortization of capital assets	**4,853**	3,348
	—	—
Changes in non-cash operating items		
Decrease (increase) in accounts receivable*[note 10]*	**(1,147)**	75
Increase in deferred contributions	**576**	22
Increase in other liabilities	**793**	552
Increase in accounts payable and accrued liabilities*[note 10]*	**12,690**	918
Increase in prepaid expenses	**(317)**	(59)
Decreasein restricted cash	**88**	50
Net change in accrued benefit liability	**447**	519
Cash provided by operating activities	**13,130**	2,077
CAPITAL ACTIVITIES		
Acquisition of capital assets*[note 10]*	**(2,042)**	(8,298)
Cash applied tocapitalactivities	**(2,042)**	(8,298)
FINANCING ACTIVITIES		
Contributions for capital asset purchases*[note 10]*	**4,849**	8,298
Cash provided by financing activities	**4,849**	8,298
Net increase in cash during the year	**15,937**	2,077
Cash, beginning of year	**13,089**	11,012
Cash, end of year	**29,026**	13,089

See accompanying notes

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

1. DESCRIPTION OF THE ORGANIZATION

Ontario Agency for Health Protection and Promotion ["OAHPP"]was established under the Ontario Agency for Health Protection and Promotion Act, 2007 as a corporation without share capital.OAHPP's mandate is to enhance the protection and promotion of the health of Ontarians, contribute to efforts to reduce health inequities, provide scientific and technical advice and support to those working across sectors to protect and improve the health of Ontarians and to carry out and support activities such as population health assessment, public health research, surveillance, epidemiology, planning and evaluation.

Under the Ontario Agency for Health Protection and Promotion Act, 2007,OAHPP is primarily funded by the Province of Ontario.

OAHPP as an agency of the Crown is exempt from income taxes.

2. IMPACT OF CHANGE IN BASIS OF ACCOUNTING

[a] These financial statements are the first financial statements for which OAHPP has applied Canadian public sector accounting standards using the option to apply Sections 4200 to 4270 of the Canadian Institute of Chartered Accountants ["CICA"] Public Sector Accounting ["PSA"] Handbook available for government not-for-profit organizations. OAHPP has chosen to early-adopt these standards.

The financial statements for the year ended March 31, 2011 were prepared in accordance with the accounting principles and provisions set out in *First Time Adoption, PS2125*, for first-time adopters of this basis of accounting.

The impact of adopting these standards was accounted for in net assets at the date of transition, April 1, 2009.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] The reconciliation of net assets in the financial statements as at April 1, 2009 is as follows:

	$
Net assets as at April 1, 2009, as originally stated	13,049
Changes in net assets	
Deferred capital asset contributions	(12,788)
Deferred contributions	(261)
	(13,049)
Net assets as at April 1, 2009, according to new basis of accounting	—

[c] The reconciliation of the excess of revenue over expenses for the year ended March 31, 2010 is as follows:

	$
Excess of revenue over expenses for the year, as originally stated	4,950
Changesin operating results	
Contributions for capital purposes originally recorded as revenue	(8,298)
Amortization of deferred capital asset contributions now recorded as revenue	3,348
	(4,950)
Excess of revenue over expenses for the year ended March 31, 2010, according to new basis of accounting	—

[d] The reconciliation of net assets in the financial statements as at March 31, 2010 is as follows:

	$
Total changes in net assets as at April 1, 2009	(13,049)
Total changes in excess of revenue over expenses for the year ended March 31, 2010	(4,950)
Total net changes in net assets as at March 31, 2010	(17,999)

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS
[in thousands of dollars]

March 31, 2011

[e] These changes resulted in the following changes to the statement of cash flows for the year ended March 31, 2010:
- decrease in excess of revenue over expenses for the year by $4,950;
- add back of amortization of deferred capital asset contributions of $3,348; and
- inclusion of contributions received for capital asset purchases of $8,298as a financing activity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Canadian public sector accounting standardsas established by the Public Sector Accounting Board of the CICA. OAHPP has elected to follow PS 4200-4270 in the PSA Handbook.

Revenue recognition

Unrestricted contributionsare recognized as revenue when received or receivable, if the amount to be received can be reasonably estimated and collection is reasonably assured. Externally restricted contributionsare recognized as revenue in the period in which the related expenses are incurred.

Capital assets

Capital assets are recorded at acquisition cost. Contributed capital assets are recorded at fair market value at date of contribution. Amortization is provided on a straight-line basis based upon the estimated useful service lives of the assets as follows:

Building service equipment	5-30 years
Other equipment	5-10 years
Furniture	5-20 years
Leasehold improvements	Over the term of the lease

Inventory and other supplies held for consumption

Inventory and other supplies held for consumption are expensed when acquired.

Employee future benefits

Contributions to multi-employer, defined benefit pension plans are expensed when contributions are due.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

Other employee future benefits are non-pension benefits that are provided to certain employees and are accrued as the employees render the service necessary to earn these future benefits. The cost of these future benefits isactuarially determined using the projected unit credit method, prorated on service and management's best estimate of expected salary escalation and retirement ages of employees. Net actuarial gains and losses related to the employee future benefits are amortized over the average remaining service life of the related employee group. Employee future benefit liabilities are discounted using the average interest cost for the Province of Ontario's net new debt obligations with maturities that correspond to the duration of the liability.

Allocation of expenses

The costs of each function include the costs of personnel and other expenses that are directly related to the function. General support and other costs are not allocated.

Contributed materials and services

Contributed materials and services are not recorded in the financial statements.

Foreign currency translation

Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate in effect at year end. Gains or losses arising from translation of short-term monetary assets are included in the statement of operations.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	March 31, 2011 $	March 31, 2010 $	April 1, 2009 $
Ministry of Health and Long-Term Care	**1,420**	—	—
Trade	**481**	159	234
HST	**1,085**	—	—
	2,986	159	234
Less amount recorded as long- term *[note 7]*	**(840)**	—	—
	2,146	159	234

5. RESTRICTED CASH

[a] Restricted cash consists of the following:

	March 31, 2011 $	March 31, 2010 $	April 1, 2009 $
Ministry of Health and Long-Term Care *[note 8[b]]*	**7,282**	7,474	7,581
Sheela Basrur Centre *[note 8[c]]*	**314**	210	153
	7,596	7,684	7,734

Restricted cash from Ministry of Health and Long-Term Care ["MOHLTC"] represents funding received in connection with the liability assumed by OAHPP in connection with severance *[note 9[b]]* and other credits [primarily accrued vacation pay] related to employees who transferred to OAHPP in 2008 when Ontario public health laboratories were transferred to OAHPP. These funds are drawn down when transferred employees cease employment with OAHPP.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] The continuity of MOHLTC restricted cash is as follows:

	2011		
	Severance credits $	Other credits $	Total $
Restricted cash, beginning of year	**6,136**	**1,338**	**7,474**
Interest earned	**58**	**13**	**71**
Restricted cash drawdown*[note 9[b]]*	**(228)**	**(35)**	**(263)**
Restricted cash, end of year	**5,966**	**1,316**	**7,282**

	2010		
	Severance credits $ $	Other credits $	Total
Restricted cash, beginning of year	6,219	1,362	7,581
Interest earned	30	6	36
Restricted cash drawdown*[note 9[b]]*	(113)	(30)	(143)
Restricted cash, end of year	6,136	1,338	7,474

6. CAPITAL ASSETS

Capital assets consist of the following:

	March 31, 2011		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	**476**	**91**	**385**
Other equipment	**20,369**	**7,591**	**12,778**
Furniture	**1,905**	**743**	**1,162**
Leasehold improvements	**5,398**	**1,150**	**4,248**
	28,148	**9,575**	**18,573**

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

	March 31, 2010		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	337	51	286
Other equipment	16,850	3,764	13,086
Furniture	1,713	391	1,322
Leasehold improvements	3,559	516	3,043
	22,459	4,722	17,737

	April 1, 2009		
	Cost $	Accumulated amortization $	Net book value $
Building service equipment	335	17	318
Other equipment	9,705	1,004	8,701
Furniture	1,098	110	988
Leasehold improvements	3,023	242	2,781
	14,161	1,373	12,788

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

7. DEFERRED CAPITAL ASSET CONTRIBUTIONS

Deferred capital asset contributions represent the unamortized amount of contributions received for the purchase of capital assets. The amortization of deferred capital asset contributions is recorded as revenue in the statement of operations. The continuity of the deferred capital asset contributions balance is as follows:

	2011 $	2010 $
Deferred capital asset contributions, beginning of year	**17,737**	12,788
Contributions for capital purposes	**6,529**	8,298
Amortization of deferred capital asset contributions	**(4,853)**	(3,349)
Deferred capital asset contributions, end of year	**19,413**	17,737
Unspent deferred capital asset contributions	**(840)**	—
Deferred capital asset contributions spent on capital assets	**18,573**	17,737

The unspent deferred capital asset contributions are receivable from MOHLTC and are recorded as long-term accounts receivable *[note 4]*.

8. DEFERRED CONTRIBUTIONS

[a] Deferred contributions consist of unspent externally restricted grants and donations for the following purposes:

	March 31, 2011 $	March 31, 2010 $	April 1, 2009 $
Severance credits	**1,270**	1,376	1,484
Sheela Basrur Centre *[note 5]*	**314**	210	153
Other	**1,053**	475	402
	2,637	2,061	2,039

[b] Deferred contributions for severance credits represent the difference between the restricted cash held for severance credits and the portion of the accrued benefit liability associated with service prior to the transfer of employees of the laboratories to OAHPP *[note 9[b]]*.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[c] Deferred contributionsfor the Sheela Basrur Centre [the "Centre"] represent unspent funds held by OAHPPrestricted for the Centre'soutreach programs. In addition to these funds, $187[2010-$165] is held by the Toronto Community Foundation for the benefit of the Centre and its programs.

Named after the late Dr. Sheela Basrur, a former Chief Medical Officer of Health for the Province of Ontario, the Centre was created to become a prominent provider of public health education and training.

9. EMPLOYEE FUTURE BENEFIT PLANS

[a] Multi-employer pension plan

Certain employees of OAHPP are members of the Ontario Public Service Employees Union ["OPSEU"] Pension Plan, the Healthcare of Ontario Pension Plan ["HOOPP"] or the Ontario Public Service Pension Plan ["PSPP"], which are multi-employer, defined benefit pension plans. These pension plans are accounted for as defined contribution plans. OAHPP contributions to the OPSEU Pension Plan, HOOPP and PSPP during the year amounted to $1,865 [2010 - $1,712], $1,568 [2010 - $885],and $388 [2010 - $402], respectively, and are included in expenses in the statement of operations.

[b] Severance credits

OAHPP assumed the non-pension post-employmentdefined benefit plans provided to employees from the Government of Ontario as part of theOntario public health laboratories transfer*[note 1]*. Thesedefined benefit plans include a benefit of one week of salary for each year of service [to a maximum of half of an employee's annual salary]payable to certain employees upon termination or retirement from OAHPP. The latest actuarial valuation for the non-pension defined benefit plan was performed as of December 15, 2008. OAHPP measures its accrued benefit obligation for accounting purposes as at March 31 of each year based on an extrapolation from the latest actuarial valuation.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

The accrued benefit liability as at March 31 is calculated as follows:

	2011 $	2010 $
Accrued benefit liability, beginning of year	**5,350**	4,831
Expense for the year	**675**	632
Benefits paid*[note 5[b]]*	**(228)**	(113)
Accrued benefit liability, end of year	**5,797**	5,350

The significant actuarial assumptions adopted in measuring OAHPP's accrued benefit obligation and expenseare as follows:

	2011 %	2010 %
Discount rate	**5.30**	5.30
Rate of compensation increase	**3.50**	3.50
Rate of inflation	**2.50**	2.50

10. SUPPLEMENTAL CASH FLOW INFORMATION

The change in accounts payable and accrued liabilities related to the purchase of capital assets is adjusted for capital assets received but not paid for as at year end[2011 - $3,647; 2010 - nil] and has been excluded from the statement of cash flows.

The change in accounts receivable related to contributions for capital asset purchases is adjusted for contributions receivable but not received as at year end [2011 - $840; 2010 - nil] and has also been excluded from the statement of cash flows.

11. COMMITMENTS AND CONTINGENCIES

[a] Under the Laboratories Transfer Agreement, MOHLTC is responsible for all obligations and liabilities in respect of the public health laboratories that existed as at the transfer date or which may arise thereafter and have a cause of action that existed prior to the transfer date*[note 1]*.

Ontario Agency for Health Protection and Promotion

NOTES TO FINANCIAL STATEMENTS

[in thousands of dollars]

March 31, 2011

[b] OAHPP is a member of the Healthcare Insurance Reciprocal of Canada ["HIROC"]. HIROC is a pooling of the liability insurance risks of its members. All members of the pool pay annual deposit premiums which are actuarially determined and are expensed in the current year. These premiums are subject to further assessment for experience gains and losses, by the pool, for prior years in which OAHPP participated. To March 31, 2011, no assessments have been received.

[c] The committed future minimum annual payments under operating leases consist of the following:

	$
2012	9,253
2013	9,296
2014	7,453
2015	2,399
2016	2,388
Thereafter	6,319

12. COMPARATIVE FINANCIAL STATEMENTS

The comparative financial statements have been reclassified from statements previously presented to conform to the presentation of the 2011 financial statements.

Ontario Capital Growth Corporation

Responsibility for Financial Reporting

The accompanying financial statements of the Ontario Capital Growth Corporation have been prepared in accordance with Canadian generally accepted accounting principles of the Canadian Institute of Chartered Accountants and are the responsibility of Management. The preparation of financial statements necessarily involves the use of estimates based on Management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 28, 2011.

Management maintains a system of internal controls designed to provide a reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provide for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance has the ability to independently evaluate the effectiveness of these internal controls on an ongoing basis and, as applicable, report its findings to Management and the Audit Committee of the Board of Directors.

The Board of Directors is responsible for ensuring that Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. It meets periodically with Management, internal auditors and the external auditor, as applicable, to deal with issues raised by them and to review the financial statements before recommending approval by the Board of Directors.

The financial statements have been audited by a third-party auditor, PricewaterhouseCoopers LLP. The Auditor's responsibility is to express an opinion on whether OCGC's financial statements fairly represent OCGC's financial position in accordance with Canadian generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and their opinion.

On behalf of Management:

JC Marshall

John Marshall
President and Chief Executive Officer

PRICEWATERHOUSECOOPERS

June 28, 2011

Independent Auditor's Report

To the Directors of
Ontario Capital Growth Corporation

We have audited the accompanying financial statements of Ontario Capital Growth Corporation, which comprise the statement of financial position as at March 31, 2011 and the statements of operations and comprehensive income, changes in net assets and cash flows for the year then ended, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

PRICEWATERHOUSECOOPERS

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Ontario Capital Growth Corporation as at March 31, 2011 and the results of its operations, changes in its net assets and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Other matter
The financial statements of Ontario Capital Growth Corporation as at and for the year ended March 31, 2010 were audited by another auditor who expressed an unqualified opinion dated May 18, 2010.

PricewaterhouseCoopers LLP

Chartered Accountants, Licensed Public Accountants

Statement of Financial Position
As at March 31, 2011

	2011 $	2010 $
Assets		
Cash and cash equivalents	1,918,605	806,735
Marketable securities (note 4)	77,236,734	84,989,303
Accounts receivable (note 10)	739,468	2,580,000
Ontario Venture Capital Fund LP (note 5)	16,442,037	7,936,728
Ontario Emerging Technologies Fund (notes 6 and 8)	27,448,706	5,980,000
	123,785,550	102,292,766
Liabilities		
Accounts payable (note 9)	585,716	1,158,096
Net Assets		
General fund	123,199,834	101,134,670
	123,785,550	102,292,766

Approved by the Board of Directors

Director

Director

Ontario Capital Growth Corporation

Statement of Operations and Comprehensive Income

For the year ended March 31, 2011

	2011 $	2010 $
Revenues		
Funding and transfer payments from the Province of Ontario - Ontario Emerging Technologies Fund (note 6)	23,067,176	9,560,000
Interest income	889,868	479,379
	23,957,044	10,039,379
Expenditures		
Reimbursements to Ministry of Research and Innovation (note 9)	926,716	1,135,500
Cash management fees	42,423	46,551
Professional services fees	335,036	216,367
	1,304,175	1,398,418
Earnings from operations for the year	22,652,869	8,640,961
Foreign currency translation adjustment (note 2)	(572,826)	-
Net income for the year	22,080,043	8,640,961
Other comprehensive loss		
Unrealized loss on available-for-sale financial assets - marketable securities	(14,879)	-
Comprehensive income	22,065,164	8,640,961

Ontario Capital Growth Corporation

Statement of Changes in Net Assets

For the year ended March 31, 2011

	2011 $	2010 $
Net assets - Beginning of year	101,134,670	92,493,709
Net income for the year	22,080,043	8,640,961
Accumulated other comprehensive loss		
Balance - Beginning of year	-	-
Other comprehensive loss	(14,879)	-
Balance - End of year	(14,879)	-
Net assets - End of year	123,199,834	101,134,670

Ontario Capital Growth Corporation

Statement of Cash Flows

For the year ended March 31, 2011

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Earnings from operations for the year	22,652,869	8,640,961
Changes in non-cash operating balances		
Decrease (increase) in accounts receivable	1,840,532	(2,397,262)
(Decrease) increase in accounts payable	(572,380)	1,149,168
	23,921,021	7,392,867
Investing activities		
Purchase of marketable securities	(233,203,970)	-
Sale of marketable securities	240,941,660	5,560,940
Purchase of Ontario Venture Capital Fund LP	(8,505,309)	(6,179,177)
Purchase of Ontario Emerging Technologies Fund	(21,468,706)	(5,980,000)
	(22,236,325)	(6,598,237)
Increase in cash and cash equivalents during the year	1,684,696	794,630
Effect of foreign currency exchange rate changes (note 2)	(572,826)	-
Cash and cash equivalents - Beginning of year	806,735	12,105
Cash and cash equivalents - End of year	1,918,605	806,735

Notes to Financial Statements
March 31, 2011

1 Description of business

Ontario Capital Growth Corporation (OCGC or the Corporation) is a corporation without share capital, established under the Ontario Capital Growth Corporation Act, 2008 (the Act), which was proclaimed in force as of February 1, 2009 as an agency of the Ministry of Research and Innovation (MRI).

The legislative authority of the Corporation is set out in the Act. Under Section 4 of the Act, the objects of the Corporation are:

a) to receive, hold, administer and otherwise deal with the interest of the Government of Ontario in the limited partnership known as the Ontario Venture Capital Fund LP (OVCF);

b) to receive, hold and deal with property, whether real or personal, in connection with the objects described in Section 4(a); and

c) to carry out the other objects that are prescribed by the Regulations.

Under Section 1 of Ontario Regulation 278/09 (the Regulations), made under the Act, the following are prescribed as additional objects of the Corporation:

a) to acquire, manage and otherwise deal with a portfolio of investments in businesses that the Corporation considers constitute emerging technologies businesses, which portfolio is known in English as the Ontario Emerging Technologies Fund (OETF) and in French as Fonds ontarien de développement des technologies émergentes; and

b) to receive, hold, invest, sell or otherwise deal with property, whether real or personal, in connection with the objects described in clause 1(a).

As required by the Agency Establishment and Accountability Directive, the Corporation and MRI have entered into a memorandum of understanding, which outlines the operational, administrative, financial and other relationships that exist between OCGC and MRI.

OCGC is classified as an Operational Enterprise Agency. OCGC is responsible for fulfilling the Province of Ontario's contractual obligations as a limited partner in the OVCF. OCGC is also responsible to establish, hold, manage and administer the OETF.

OVCF is a joint initiative between the Province of Ontario and leading institutional investors. It is structured as a fund of funds that invests primarily in Ontario-based and Ontario-focused venture capital and growth funds, which, in turn, make investments in innovative, high-growth companies. OVCF was established to provide investment funding to venture capital and growth equity managers in the Province of Ontario capable of generating superior returns by investing in enterprises with a view to creating large, globally competitive companies.

Notes to Financial Statements
March 31, 2011

OETF is structured as a direct co-investment fund that will only make investments in innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. OETF is an initiative of the Government of Ontario to invest in innovative high-potential companies with an Ontario footprint in three strategic sectors: (a) clean technology; (b) digital media and information and communications technologies; and (c) life sciences.

OCGC claims exemption from federal and provincial income taxes under paragraph 149(1)(d) of the Income Tax Act (Canada). OCGC also claims exemption from the federal goods and services tax imposed by the Excise Tax Act (Canada). In November 2009, the Canada Revenue Agency confirmed exemption from the goods and services tax effective February 1, 2009.

As part of the change to the harmonized sales tax (HST) and in accordance with the HST agreement between the Governments of Ontario and Canada, provincial government entities (ministries and agencies) no longer have an exemption from paying the GST/HST. As of July 1, 2010, a pay and rebate model applies. This means that OCGC now pays the 13% HST on taxable supplies, then applies for a rebate of the full 13% amount.

OCGC operates in the same fiscal year ending March 31 as the Government of Ontario.

2 Summary of significant accounting policies

The Corporation's functional and presentation currency is the Canadian dollar. The financial statements have been prepared in accordance with Canadian generally accepted accounting principles based on The Canadian Institute of Chartered Accountants Handbook, Accounting. The more significant accounting policies of the Corporation are summarized below.

Revenue recognition

Interest revenue is recognized as it is earned. For marketable securities, interest revenue is accrued using the effective interest rate method.

OETF project funding received represents monies transferred from the MRI to the Corporation, as described in note 6.

Expense categories

Cash management fees represent fees paid to the Ontario Financing Authority (OFA) for cash management and related services.

Professional fees relate to fees paid to third party service providers.

Reimbursements to MRI represent direct OCGC expenses paid by MRI on its behalf.

Notes to Financial Statements
March 31, 2011

Measurement uncertainty

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates are periodically reviewed and any adjustments necessary are reported in income in the year in which they become known. Actual results could differ from these estimates.

Financial instruments

All financial instruments are classified in one of five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments are measured at fair value on initial recognition. The following is a summary of the accounting model the Corporation has elected to apply to each of its significant categories of financial instruments:

Cash and cash equivalents	held-for-trading
Marketable securities	available-for-sale
Accounts receivable	loans and receivables
OVCF	available-for-sale
OETF	available-for-sale or held-for-trading
Accounts payable	other financial liabilities

Subsequent measurement and treatment of any gain or loss on the financial instruments is recorded as follows:

a) Held-for-trading financial assets are measured at fair value as at the statement of financial position date with any gain or loss recognized immediately in net income. Fair value includes the value of accrued interest, as applicable. Dividends earned from held-for-trading financial assets are also included in net income for the year.

b) Available-for-sale financial assets that have quoted market prices in an active market are carried at fair value. When an equity investment classified as an available-for-sale financial asset is not traded in an active market, it is measured at cost. Changes in the fair value of all other available-for-sale assets are recorded in other comprehensive income and accumulated in a separate account in the statement of changes in net assets (accumulated other comprehensive income) until the asset becomes impaired or is derecognized. Interest income is recognized in net income using the effective interest rate method and dividend income is recognized in net income when the Corporation is entitled to receive it. Impairment losses are recognized in net income.

c) Loans and receivables are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income.

Notes to Financial Statements
March 31, 2011

d) Other financial liabilities are measured at amortized cost using the effective interest method. Any gain or loss is recognized in net income. Interest income or expense is recognized in net income using the effective interest rate method.

Foreign currency translation

Foreign currency gains and losses on monetary items are recognized immediately in net income. Foreign currency gains and losses on held-for-trading financial assets are recognized in net income, while foreign currency gains and losses on available-for-sale financial assets are recognized in other comprehensive income.

3 Financial instruments

Credit risk

Credit risk arises from the potential that a counterparty will fail to perform its obligations. The Corporation considers obligations of the Governments of Ontario and Canada to be risk-free. The Corporation is currently not exposed to any credit risk.

Fair value

The Corporation's carrying values of cash and cash equivalents, accounts receivable and accounts payable approximate their fair values due to the immediate or short-term nature of these financial instruments.

The fair value of the investment in the OVCF is not readily determinable and has been recorded at cost. The OVCF does not have a quoted market price in an active market.

The fair value of the co-investments in the OETF will initially be recorded at cost, which represents fair value at time of acquisition. As part of the reporting process to the Province of Ontario, the Corporation is required to carry out periodic valuations of OETF portfolio investments. The investments in OETF that are held-for-trading and available-for-sale are remeasured at fair value on a semi-annual basis. Furthermore, to the extent that a security held in OETF represents a compound financial instrument with an embedded derivative, such as an equity conversion option, the value of that derivative at acquisition is estimated and included in held-for-trading financial assets, with subsequent changes in fair value included in net income. The residual host contract is carried at fair value with subsequent changes in value included in other comprehensive income pursuant to the OCGC policy for available-for-sale financial assets.

Notes to Financial Statements
March 31, 2011

Currency risk

Currency risk is the risk to the Corporation's income that arise from fluctuations of foreign currency exchange rates and the degree of volatility of these rates. The Corporation's exposure to foreign currency exchange risk is limited to holding US dollar cash and cash equivalents and holding OETF investments denominated in US dollars. OCGC does not hedge its US dollar exposure. The Corporation had a net exposure of $8,660,018 to the US dollar as at March 31, 2011 (2010 - $nil). A 5% strengthening (5% weakening) of the Canadian dollar against the US dollar at March 31, 2011 would result in a $433,000 decrease ($433,000 increase) in net income (2010 - $nil) with no impact on other comprehensive income. In practice, the actual trading results may differ from this sensitivity analysis and the difference could be material.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in the interest rates. In seeking to minimize the risks from interest rate fluctuations, the Corporation manages exposure through its normal operating and financing activities. The Corporation is exposed to interest rate risk primarily through its short-term investments in marketable securities. Risks from interest rate fluctuations are minimal due to the investments being held for a term of three years or less to better match the OVCF drawdowns projected by the OVCF fund manager. Interest rate fluctuations for OETF investments are minimal as these investments have fixed interest rates.

Other price risk

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices or from factors specific to an individual investment. The maximum risk resulting from the financial instruments is equivalent to their fair value. The marketable securities consist of treasury bills that are not subject to significant price risk. As at March 31, 2011, if the value of the investments in OVCF and OETF had increased or decreased by 5%, all other variables held constant, the value of the investments would have increased or decreased by $2,194,537 (2010 - $695,836). Investments made through OVCF or in OETF are highly illiquid, do not have a readily determinable market price, and are generally in early stage companies where the ultimate value that may be realized by the OCGC on eventual disposition is inherently unpredictable. Returns on these investments will depend on factors specific to each company (such as financial performance, product viability and quality of management), and external forces (such as the economic environment and technological progress by competitors). The fair value of the OETF portfolio represents the OCGC's best estimate of fair value at the statement of financial position date; however, the amounts that may ultimately be realized could be materially different.

4 Marketable securities

The OCGC may temporarily invest any monies not immediately required to carry out its objects in:

a) debt obligations of or guaranteed by the Government of Canada or a province of Canada; or

b) interest bearing accounts and short-term certificates of deposits issued or guaranteed by a chartered bank, trust company, credit union or caisse populaire.

Notes to Financial Statements
March 31, 2011

Fair value of marketable securities as at March 31 (available-for-sale) is as follows:

	2011 $	2010 $
Aggregate par value $77,474,000 of Province of Ontario treasury bill, due dates ranging from April 20, 2011 to October 19, 2011, average coupon rate of 0.000%	77,236,734	84,989,303

5 OVCF

The investment in the OVCF is carried at cost, based on the capital calls made by the general partner of OVCF. As the OVCF is not traded in an active market, the fair value of the investment is not readily determinable.

6 Province of Ontario - OETF

On March 18, 2009, the Government of Ontario, as an initiative of MRI, announced its intention to create a new venture capital fund to increase investment in green technology and other high-tech companies with a significant corporate footprint in Ontario. The creation of the OETF is in response to the challenges being experienced by companies in technology industries to raise the necessary capital to grow and compete internationally.

The OETF was launched in July of 2009 with a commitment from the Province of Ontario to provide funding of $250 million. The OETF, as a direct co-investment fund, will only make investments into innovative high-potential companies alongside other qualified investor(s) with a proven track record of success. Investments will be in: (a) clean technology; (b) digital media and information and communication technologies; and (c) life sciences.

Operating expenses for the year funded by OETF transfer payments are within the allocated amount. During the year, the OCGC request for OETF transfer payments was $23,067,176 (2010 - $9,560,000).

7 Contractual commitments

The OCGC has the following contractual commitments:

a) In accordance with a financial service agreement between the OFA and the OCGC, the OFA conducts investment and cash management services and activities for the OCGC. OFA is the agency of the Province of Ontario responsible for providing financial and centralized cash management services for the government. The OCGC pays OFA a fee for these services based on assets under management and reimburses for other related activities on a cost recovery basis.

Notes to Financial Statements
March 31, 2011

b) Pursuant to the OVCF limited partnership agreement, the OCGC is committed to making capital contributions on notice of capital calls. As at March 31, 2011, the total uncalled commitment is $73,557,963 with a commitment period-end date of June 6, 2013.

c) In accordance with the contract between Northwater Capital Management Inc. (Northwater) and OCGC, Northwater conducts due diligence services and activities to qualify OETF co-investors. OCGC pays a fixed rate for these services. The contract was amended, effective January 18, 2010, to permit hourly rate for on-site visits by Northwater to the applicants' premises to confirm matters that were evidenced in the application.

d) In accordance with the contract between Covington Capital Inc. (Covington) and OCGC, Covington conducts due diligence services and activities to qualify, monitor and exit OETF's investments. OCGC pays a fixed rates and hourly rates for these services and activities, respectively. During the quarter, the contract was amended, effective July 8, 2010, to permit hourly rate for confirmation of matters evidenced by the applicant.

8 Investments in OETF

OETF portfolio as at March 31:

	2011			2010		
	Cost $	Fair value $	Contingent $	Cost $	Fair value $	Contingent $
Canadian dollar investments - available-for-sale	5,980,000	5,980,000	1,220,788	5,980,000	5,980,000	10,790,000
Canadian dollar investments - held-for-trading	13,254,505	13,254,505	4,967,013	-	-	-
US dollar investments - held-for-trading	8,214,201	8,214,201	969,600	-	-	-
	27,448,706	27,448,706	7,157,401	5,980,000	5,980,000	10,790,000

Investments in OETF can take the form of shares or convertible debt. All investments have been made in accordance with OETF guidelines. As at March 31, 2011, the OETF portfolio consisted of 16 investments in different companies, ranging from 0.4% to 3.2% of net assets. The Corporation has recorded a provision of $406,883 (2010 - $52,342) against the accrued interest on those convertible debentures classified as available-for-sale. Contingent amounts as at the statement of financial position date represent firm commitments by the OCGC to make future investments in OETF companies.

Ontario Capital Growth Corporation

Notes to Financial Statements
March 31, 2011

9 Reimbursements of eligible expenses incurred

The Corporation and MRI carry out their respective operations on a shared-cost basis. The Corporation reimburses MRI for certain expenses incurred on its behalf. These expenses may include but are not limited to staff salaries, benefits, information technology and rent allocations per staff member, external legal services, website development, French language translation and accounting services.

Recognition and measurement of any reimbursement is subject to annual negotiations between the Corporation and MRI, and approval of the extent and scope of MRI services to be provided. For each fiscal year ending March 31, the Corporation will seek certification from the MRI that any further potential financial liability with respect to eligible expenses incurred on behalf of the Corporation is fully satisfied without further recourse. Any financial liability to MRI with respect to reimbursements of eligible expenses incurred prior to March 31, 2011 has been extinguished.

Effective April 1, 2010, the Corporation accrues eligible expenses reimbursable to MRI under accounts payable based on estimates provided by the MRI that can be independently verified by the Corporation.

10 Accounts receivable

For each fiscal year ending March 31, disbursements under the OETF transfer payment agreement to the Corporation may be overdue from the Province of Ontario due to year-end payment processing delays. For fiscal 2010 and 2011, overdue payments of $2,580,000 and $700,000 were received in full subsequent to the March 31 year-ends, respectively.

As a Schedule A provincial agency, OCGC is required to follow the pay and rebate model with respect to HST applied to direct purchases. The Corporation pays the HST on its purchases effective as of July 1, 2010 and, subsequently, files a rebate claim with the Canada Revenue Agency for the HST paid. For the year ended March 31, 2011, OCGC has incurred and/or paid an aggregate of $39,468 of HST.

ONTARIO CLEAN WATER AGENCY
AGENCE ONTARIENNE DES EAUX

Management's Responsibility for Financial Information

Management and the Board of Directors are responsible for the financial statements and all other information presented in this annual report. The financial statements have been prepared by management in accordance with generally accepted accounting principles and, where appropriate, include amounts based on management's best estimates and judgements.

The Ontario Clean Water Agency is dedicated to the highest standards of integrity in its business. To safeguard assets, the Agency has a sound set of internal financial controls and procedures that balance benefits and costs. Management has developed and maintains financial and management controls, information systems and management practices to provide reasonable assurance of the reliability of financial information in accordance with the bylaws of the Agency. Internal audits are conducted to assess management systems and practices and reports are issued to the Senior Management Committee.

The Board of Directors ensures that management fulfills its responsibilities for financial information and internal control. The Board of Directors and the Audit and Risk Management Committee of the Board meet quarterly to oversee the financial activities of the Agency and at least annually to review the financial statements and the external auditor's report thereon, and recommend them to the Minister of Environment for approval.

The Auditor General has examined the financial statements. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report outlines the scope of the Auditor's examination and opinion.

Original signed

Jane Pagel
President and Chief Executive Officer

Original signed

Dan Atkinson
Acting Vice President, Finance and Corporate Services

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Clean Water Agency,
the Minister of the Environment,
and to the Minister of Finance

I have audited the accompanying financial statements of the Ontario Clean Water Agency which comprise the balance sheet as at December 31, 2010 and the statement of income and retained earnings and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Ontario Clean Water Agency as at December 31,2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-327-9862

B.P. 105, 15ᵉ étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-327-9862

www.auditor.on.ca

Toronto, Ontario
March 31, 2011

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Balance Sheet - Assets

As at December 31, 2010

	(in thousands of dollars)	
	2010	Dec. 31, 2009
Assets		
Current assets:		
Cash and short-term investments *(note 2f)*	**45,307**	50,171
Accounts receivable, net		
Municipalities and other customers *(note 2d)*	**17,203**	24,510
Ministry of the Environment	**414**	360
Harmonized sales tax receivable	**2,381**	1,229
Prepaid Expenses	**3,534**	3,223
Current portion of investments receivable for water and wastewater facilities *(note 2e)*	**786**	762
	69,625	80,255
Non-current assets		
Investments in term deposits *(note 2f)*	**16,702**	5,031
Investments receivable for water and wastewater facilities *(note 2e)*	**4,672**	5,526
Loan receivable - Infrastructure Ontario *(note 2i)*	**120,000**	120,000
Fixed assets, net *(note 3)*	**5,433**	4,570
	146,807	135,127
Total Assets	**216,432**	215,382

Balance Sheet – Liabilities and Equity

As at December 31, 2010

	(in thousands of dollars) 2010	Dec. 31, 2009
Liabilities and Equity		
Current liabilities:		
Accounts payable and accrued liabilities	**18,678**	16,878
Current portion of employee future benefits *(note 7a)*	**2,996**	2,660
	21,674	19,538
Long-term liabilities:		
Municipal contributions payable *(note 2h)*	**252**	252
Employee future benefits *(note 7a)*	**10,112**	9,943
	10,364	10,195
Equity of Ontario:		
Contributed surplus *(note 5b)*	**94,393**	95,994
Retained earnings	**90,001**	89,655
	184,394	185,649
Contingencies *(note 6)*		
Total Liabilities and Equity	**216,432**	215,382

See accompanying notes to financial statements

On behalf of the Board

Original signed

Director

Original signed

Director

Statement of Income and Retained Earnings

For the year ended December 31, 2010

	(in thousands of dollars)	
	2010	2009
Utility Operations Revenues:		
Utility operations	**136,219**	139,977
Fees	**2,447**	2,837
Total Operating Revenues	**138,666**	142,814
Operating Expenses:		
Salaries and benefits *(note 7a and note 7b)*	**61,315**	59,286
Other operating expenses	**77,819**	81,710
Amortization of fixed assets	**1,787**	2,006
Total Operating Expenses	**140,921**	143,002
Net Loss – Utility Operations	**(2,255)**	(188)
Financing Revenues:		
Interest from investments, loans receivable and facilities under construction *(note 2g)*	**2,712**	2,696
Total Financing Revenues	**2,712**	2,696
Financing Expenses:		
Loan administration expenses	**51**	60
Amortization of fixed assets	**60**	60
Total Financing Expenses	**111**	120
Net Income – Financing	**2,601**	2,576
Net Income for the Year	**346**	2,388
Retained earnings, opening balance	**89,655**	87,267
Retained earnings, ending balance	**90,001**	89,655

See accompanying notes to financial statements

Statement of Cash Flows

For the period ended December 31, 2010	*(in thousands of dollars)* 2010	Dec. 31, 2009
Cash Provided by (used for) Operating Activities		
Net Loss - Utility Operations	**(2,255)**	(188)
Items Not Affecting Cash		
Amortization of fixed assets	**1,787**	2,006
Increase in future employee benefits expense	**505**	103
(Decrease) in municipal contributions payable	**0**	(5)
	37	1,916
Changes in non-cash operating working capital		
Accounts Receivable	**6,101**	430
Prepaid Expenses	**(311)**	(272)
Accounts Payable and Accrued Liabilities	**1,800**	(616)
	7,590	(458)
Net Cash Flows from operating activities	**7,627**	1,458
Cash Used in Investing Activities		
Interest Received	**2,712**	3,136
Principal Repaid on Loans	**830**	1,098
(Increase) decrease in non current Term Deposits	**(11,671)**	20,969
Fixed Assets Acquired	**(2,710)**	(2,627)
Financing Expenses	**(51)**	(60)
Net cash flows from investing activities	**(10,890)**	22,516
Cash Used in Financing Activities		
Changes in Contributed Capital *(note 5b)*	**(1,601)**	(53)
Increase / (Decrease) in Cash	**(4,864)**	23,921
Cash and Short-Term Investments, Opening Balance	**50,171**	26,250
Cash and Short-Term Investments, Closing Balance	**45,307**	50,171

Notes to the Financial Statements

December 31, 2010

General

The Ontario Clean Water Agency (The "Agency") was established on November 15, 1993, under the authority of the *Capital Investment Plan Act, 1993* (the "Act").

In accordance with the Act, the Agency's objectives include:

- assisting municipalities to provide water and wastewater services on a cost-recovery basis by financing, planning, developing, building and operating such works and services;
- financing, building and operating water and wastewater facilities on behalf of Ontario on a cost-recovery basis; and
- providing these services to protect human health and the environment, encouraging conservation of water resources and supporting Provincial policies for land use and settlement.

The Agency is exempt from Federal and Provincial income taxes.

1. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP) as prescribed by the Canadian Institute of Chartered Accountants. Included below are those accounting policies that are of significance to the Agency.

(a) Cash and short-term investments
Cash and short-term investments are highly liquid investments with original maturities due within one year.

(b) Fixed assets
Major capital expenditures with a future useful life beyond the current year are capitalized at cost.
Fixed assets are being amortized on a straight line basis as follows:

Computer software	2 years
Information systems	7 years
Furniture and fixtures	5 years
Automotive equipment	4 - 20 years
Computer hardware	3 - 7 years
Machinery and equipment	5 years
Leasehold improvements	Life of the lease

(c) Revenue recognition
Revenue on contracts with clients for the operation of water and wastewater treatment facilities based on a fixed annual price is recognized in equal monthly amounts as earned.

Revenue on contracts with clients based on the recovery of costs plus a percentage markup or recovery of costs plus a fixed management fee is recognized at the time such costs are incurred.

Revenue for additional work for clients outside the scope of the operations and maintenance contract, such as capital repairs on equipment, is recognized when the costs are incurred, and normally includes a pre-determined markup on cost.

(d) Financial Instruments

A financial instrument is an asset or liability that will ultimately be settled in cash.

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classifications. At the Agency, the following classifications have been made:

- Cash and short-term investments are classified as held-for-trading and consists of highly liquid investments, including deposit certificates of up to one year that can be readily converted into cash.
- Accounts Receivable are classified as loans and receivables, and are valued at face value because they are due within one year.
- Term deposits are classified as a held-to-maturity investment and are valued at face value. Accrued interest is recorded in accounts receivable and net income.
- Investments Receivable for water and wastewater facilities are classified as loans and receivables are initially measured at fair market value and subsequently valued at amortized cost using the straight line amortization method. Amortization is charged to the Statement of Income and Retained Earnings.
- The Loan Receivable from Infrastructure Ontario is classified as an available-for-sale financial asset and is valued at face value, which is essentially the same as fair market value because of the nature of variable-rate financial instruments.
- Accounts payable and accrued liabilities are classified as other financial liabilities and are recorded at face value because they are due within a year.

(e) Use of estimates

The preparation of financial statements in accordance with Generally Accepted Accounting Principles (GAAP) requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities as at the date of the financial statements and the reported amounts of revenues and expenditures for the period. Actual amounts could differ from these estimates.

2. Financial Instruments

(a) Fair Value

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2010	
(in thousand of dollars)	Carrying Amount	Fair Value
Cash and Short-Term Investments	45,307	45,613
Accounts Receivable	19,998	19,998
Investments in Term Deposits	16,702	16,712
Investments Receivable	5,458	6,017
Loan Receivable-Infrastructure Ontario	120,000	120,000
Accounts Payable and Accrued Liabilities	18,678	18,678

2. Financial Instruments (cont'd)

(b) Credit Risk

The carrying value of financial assets represents the maximum exposure to credit risk as at December 31, 2010, as follows:

	(in thousand of dollars)
Cash and Short-Term Investments	45,307
Accounts Receivable	19,998
Investments in Term Deposits	16,702
Investments Receivable	5,458
Loan Receivable-Infrastructure Ontario	120,000

(c) Interest Rate Risk

The agency is subject to interest rate risk on the following financial assets:

	Amount *(in thousand of dollars)*	Interest Rate	Maturity
Infrastructure Ontario	120,000	variable	Mar. 2023
Cash	23,574	variable	
Short-Term Investments	21,733	1.90% - 3.16%	Mar. - Dec. 2011
Term Deposits	16,702	2.11% - 2.20%	Dec. 2012

Had interest rates been 1% higher (lower) in December 2010, Financing Income would have been $1.8 million higher (lower).

(d) Accounts Receivable Municipalities and Other Customers

The Agency is not exposed to significant credit risk as receivables are due from municipalities and payment in full is usually collected. Credit rating reviews are performed for non-municipal clients.

The aging of accounts receivable as at December 31, 2010 was as follows:

	(in thousands of dollars)
0-30 days	11,844
31-60 days	2,188
61-90 days	1,835
91-120 days	595
121-150 days	56
More Than 151 days	963
Accounts Receivable (Gross)	17,481
Allowance for Doubtful Accounts January 1, 2010	(1,713)
Decrease in Allowance	1,435
Allowance for Doubtful Accounts December 31, 2010	(278)
Total Net Accounts Receivable Municipalities and Other Customers	**17,203**

(e) Investments Receivable for Water and Wastewater Facilities

These investments represent the outstanding principal portion of amounts receivable from clients for capital expenditures undertaken by the Agency on their behalf, and recoverable operating costs, if any, not billed.

The investments receivable are supported by agreements that bear interest at rates between 5.96% and 10.52%. Scheduled principal repayments of the investments are as follows:

(12 Months Beginning December)	*(in thousands of dollars)*
2011	786
2012	813
2013	815
2014	796
2015	675
Thereafter	1,498
	5,383
Less: Current portion	786
	4,597
Adjustment to Amortized Cost	75
	4,672

2. Financial Instruments (cont'd)

In August of 1999, the Agency entered into a loan agreement to finance the construction of a water pipeline, which was completed in May 2000. The outstanding loan balance including accumulated interest was $18.6 million at March 31, 2005. The loan agreement specified that repayment would be through sales of water, rather than according to a predetermined schedule. As of December 31, 2010, no principal or interest payments have been made. Currently, the pipeline and the payments of the outstanding loan is the subject of ongoing discussions amongst various levels of government. Given the significant uncertainty regarding future water sales, the Agency has recognized the loan as fully impaired and accordingly the loan amount of $18.6 million has been reflected in an allowance for loan impairment. Commencing with the date the loan was classified as impaired (January 1, 2006), the Agency ceased accruing interest revenue which as at December 31, 2010 totaled $7.6 million.

Other than as described in this note, there are no other provisions established for investment receivables.

(f) Investments in Term Deposits (GIC)

The Agency has $38.4 million invested in GIC's of which $21.7 million have a one term deposit with the rates ranging from 1.90% to 3.16% and $16.7 million have a two year term with rates ranging from 2.11% to 2.20%.

(g) Financing Revenue

Financing revenue is broken down as follows:

	(in thousands of dollars)
(a) Interest from Cash and Short-Term Investments	1,440
(b) Interest from Investment Receivable	401
(c) Interest from Loan Receivable-Infrastructure Ontario	845
(d) Interest from Investment in Term Deposits	26
Total	**2,712**

(h) Municipal Contributions Payable

At December 31, 2010, the Agency held funds on behalf of the municipalities amounting to $0.3 million (2009 - $0.3 million). These funds are included in cash and short-term investments.

(i) Loan Receivable – Infrastructure Ontario

The Agency has a loan of $120 million with Infrastructure Ontario, an agency of the provincial government, which matures on March 1, 2023. The interest on the note is paid quarterly, with a rate set at four basis points below the average monthly Canadian Dollar Offered Rate. The market value of the note approximates cost.

(j) Other

Other than as described in these notes, the Agency is not exposed to any additional currency, liquidity or other price risk on its financial instruments.

3. Fixed Assets

(in thousands of dollars)	Cost	Accumulated Amortization	**Net Dec. 31, 2010**	Net Dec. 31, 2009
Computer Software	5,111	4,558	**553**	220
Information systems	2,250	970	**1,280**	1,482
Furniture and fixtures	1,790	1,694	**96**	144
Automotive equipment	3,123	935	**2,188**	1,498
Computer hardware	9,562	8,495	**1,067**	873
Machinery and equipment	855	631	**224**	259
Leasehold improvements	6,787	6,762	**25**	94
	29,478	24,045	**5,433**	4,570

4. Lease Commitments

Annual lease payments under operating leases for rental of office equipment, premises and vehicles in aggregate are as follows:

(in thousands of dollars)	
2011	1,960
2012	1,089
2013	357
2014	73
2015	50
Thereafter	133
	3,662

5. Equity Of Ontario

(a) Available Capital

During the last several years, the Agency has been moving towards full cost recovery in its water and wastewater operations.

The Agency works closely with the Province, its sole shareholder, regarding the investment of its large amount of capital resources, including the $120 million variable-rate interest rate loan to Infrastructure Ontario and its cash balance and investments in term deposits of $62.0 million. The Province has considerable influence on the use of these resources.

5. Equity Of Ontario (cont'd)

(b) Contributed Surplus

When the Agency was first established, the opening contributed surplus was received from the Province of Ontario in the form of the book value of net assets in excess of obligations assumed.

The adjustments to the opening balance relate to repairs and maintenance, legal costs and the write off of provincial assistance advances that were agreed to prior to the establishment of the Agency. During 2010, the Agency agreed to pay $1.6 million to the Province and the Province agreed to indemnify the Agency from any liability regarding several multi-million dollar claims filed against it by the Township of Atikokan. The amount has been recorded as an adjustment to contributed surplus because the claims relate to events that occurred before the Agency was established.

(in thousands of dollars)	**December 31, 2010**	December 31, 2009
Opening balance, January 1	**95,994**	96,047
Adjustments to opening balance	**(1,601)**	(53)
	94,393	95,994

6. Contingencies

The Agency is the defendant in a number of lawsuits. Most of these claims are covered by insurance after the application of a deductible, ranging from $5,000 to $100,000, depending on when the event giving rise to the claim occurred and the nature of the claim. The outcome of the lawsuits cannot be determined at this time.

7. Related Party Transactions

(a) Non-Pension Employee Future Benefits

The Agency is responsible for its accrued legislated severance, unpaid vacation, and workers compensation obligations.

The costs of these employee future benefits have been estimated at $13.1 million (2009 - $12.6 million) of which $3.0 million (2009 - $2.7 million) has been classified as current liability. The amount charged to the income statement in 2010 was $2.1 million (2009 - $1.7 million) and is included in salaries and benefits expense in the Statement of Income and Retained Earnings.

Included in employee future benefits is an estimated workers compensation obligation in the amount of $2.1 million (2009 - $2.3 million). This amount has been determined from the most recent available actuarial calculations provided by the Workplace Safety and Insurance Board (WSIB) as at December 31, 2009.

It is management's opinion that the balance at December 31, 2010 will not be materially different. Adjustment to the estimated WSIB obligation cumulative balance, if any, will be made in the year the updated balance is provided by WSIB.

The cost of other post-retirement, non-pension employee benefits is paid by the Province and therefore is not included in the financial statements.

(b) Pension Plan

The Agency's full-time employees participate in the Public Service Pension Fund (PSPF) and the Ontario Public Service Employees' Union Pension Fund (OPSEU-PF), which are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU-PF, determines the Agency's annual payments of the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the agency. The Agency's annual payments of $3.1 million (2009 - $2.6 million), are included in salaries and benefits in the Statement of Income and Retained Earnings.

(c) Other

As a result of the relationship of the Agency with the Province, the following related party transactions exist:

(i) The Agency received revenue of $2.8 million (2009 - $2.3 million) from the Ontario Realty Corporation for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients.

(ii) The Agency received revenue of $2.2 million (2009 - $2.6 million) from the Ministry of the Environment for water and wastewater treatment services OCWA provided. The services were provided at competitive rates similar to those of other OCWA clients. In addition, the Agency received $0.3 million (2009 - $0.4 million) for the Emergency Preparedness Funding

(iii) The Agency has a $120 million loan receivable with Infrastructure Ontario, as described in note 2 (i).

(iv) The Agency relies on the Province to process its payroll and administer it benefits, and to obtain some internal audit and legal services. The Province absorbs some of these administrative costs.

(v) The Agency has a $1.0 million (2009 - $0.8 million) accounts payable to the Ministry of the Environment for rent proceeds it collects for a property, net of realty taxes paid, managed on behalf of the Ministry.

8. Future Accounting Pronouncements

After discussions with the province, the Agency was classified as a government not-for-profit and follows Public Sector Accounting Board (PSAB) supplemented with the not-for-profit standards effective January 1, 2012.

9. Reclassification

Some of the prior year numbers have been reclassified to conform with the current year presentation.

Province of Ontario Council for the Arts

Management's Responsibility for Financial Information

The accompanying financial statements of the Province of Ontario Council for the Arts (the OAC) are the responsibility of management and have been prepared in accordance with generally accepted accounting principles.

Management maintains a system of internal controls designed to provide reasonable assurance that financial information is accurate and that assets are protected.

The Board of Directors ensures that management fulfils its responsibilities for financial reporting and internal control. The Finance and Audit Committee and the Board of Directors meet regularly to oversee the financial activities of the OAC, and annually to review the audited financial statements and the external auditor's report thereon.

The financial statements have been audited by the Office of the Auditor General of Ontario, whose responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report that appears as part of the financial statements outlines the scope of the Auditor's examination and opinion.

On behalf of management:

John Brotman

John Brotman
Executive Director

Jim Grace

Jim Grace, CA, CMA
Director of Finance and Administration

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Province of Ontario Council for the Arts and to the Minister of Tourism and Culture

I have audited the accompanying financial statements of the Province of Ontario Council for the Arts, which comprise the statement of financial position as at March 31, 2011, and the statements of operations and changes in fund balances and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Province of Ontario Council for the Arts as at March 31, 2011 and the results of its operations, and its cash flows for the year then ended in accordance with Canadian generally accepted auditing principles.

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Toronto, Ontario
June 28, 2011

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statement of Financial Position

March 31, 2011, with comparative figures for 2010

	Operating fund	Restricted and endowment funds	2011 Total	2010 Total
Assets				
Current:				
Cash and cash equivalents	$ 5,304,734	$ –	$ 5,304,734	$ 5,066,742
Accounts receivable (note 6)	79,691	–	79,691	16,665
Prepaid expenses	31,719	–	31,719	23,445
	5,416,144	–	5,416,144	5,106,852
Investments (notes 2(b) and 8)	501,931	21,252,536	21,754,467	20,681,478
Capital assets (note 3)	402,439	–	402,439	450,799
	$ 6,320,514	$ 21,252,536	$ 27,573,050	$ 26,239,129
Liabilities and Fund Balances				
Current:				
Accounts payable and accrued liabilities	$ 745,998	$ –	$ 745,998	$ 640,718
Current portion of employee future benefits (note 2(b))	101,177	–	101,177	94,683
	847,175	–	847,175	735,401
Employee future benefits (note 2(b))	379,220	–	379,220	372,157
Fund balances:				
Invested in capital assets	402,439	–	402,439	450,799
Restricted for endowment purposes (note 4)	–	70,311	70,311	70,311
Restricted	–	21,182,225	21,182,225	20,152,885
Unrestricted (note 10(b))	4,691,680	–	4,691,680	4,457,576
	5,094,119	21,252,536	26,346,655	25,131,571
Commitments (note 10)				
	$ 6,320,514	$ 21,252,536	$ 27,573,050	$ 26,239,129

See accompanying notes to financial statements.

On behalf of the Board:

A. Maltese

Director

Martha Durdin

Director

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statement of Operations and Changes in Fund Balances

Year ended March 31, 2011, with comparative figures for 2010

	Operating fund		Restricted and endowment funds		Total	
	2011	2010	2011	2010	2011	2010
			(Schedule 4)			
Income:						
General grant - Province of Ontario	$ 60,437,400	$ 60,437,400	$ –	$ –	$ 60,437,400	$ 60,437,400
Special grants:						
Province of Ontario Arts Investment Fund (note 5)	11,000,000	–	–	–	11,000,000	–
Cultural Development Fund	100,000	–	–	–	100,000	–
Ontario Canada/Ontario French Language Projects	54,000	50,000	–	–	54,000	50,000
Investment income (note 8)	341,557	183,636	1,981,034	3,695,459	2,322,591	3,879,095
Fund administration fee (note 6)	51,471	49,007	–	–	51,471	49,007
Recovery of prior years' grants	48,511	28,839	–	–	48,511	28,839
Miscellaneous	36,726	47,278	–	–	36,726	47,278
Contributions	–	–	7,012	–	7,012	–
	72,069,665	60,796,160	1,988,046	3,695,459	74,057,711	64,491,619
Expenditures:						
Awards and expenses	–	–	963,239	960,668	963,239	960,668
Grants (Schedule 1)	53,216,996	52,261,353	–	–	53,216,996	52,261,353
Arts Investment Fund grants (note 5 and Schedule 2)	10,724,150	–	–	–	10,724,150	–
Administration (Schedule 3)	6,613,627	5,804,863	–	–	6,613,627	5,804,863
Services (Schedule 3)	1,324,615	1,403,149	–	–	1,324,615	1,403,149
	71,879,388	59,469,365	963,239	960,668	72,842,627	60,430,033
Excess of income over expenditures	190,277	1,326,795	1,024,807	2,734,791	1,215,084	4,061,586
Fund balances, beginning of year	4,908,375	3,584,505	20,223,196	17,485,480	25,131,571	21,069,985
Interfund transfers (Schedule 4)	(4,533)	(2,925)	4,533	2,925	–	–
Fund balances, end of year	$ 5,094,119	$ 4,908,375	$ 21,252,536	$ 20,223,196	$ 26,346,655	$ 25,131,571

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Statement of Cash Flows

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Cash provided by (used in):		
Operating activities:		
Excess of income over expenditures	$ 1,215,084	$ 4,061,586
Items not involving cash:		
Change in unrealized gains included in investment gains (note 8)	(1,419,314)	(3,204,846)
Income distributions	(618,519)	(639,772)
Loss on sale of investments	11,625	68,908
Amortization of capital assets	193,559	207,715
Change in non-cash operating working capital:		
Accounts receivable	(63,026)	(3,958)
Prepaid expenses	(8,274)	9,369
Accounts payable and accrued liabilities	105,280	(150,774)
Employee future benefits	13,557	19,271
	(570,028)	367,499
Investing activities:		
Purchase of capital assets	(145,199)	(221,682)
Purchase of investments	–	(8,259)
Proceeds from sale of investments	953,219	967,301
	808,020	737,360
Increase in cash and cash equivalents	237,992	1,104,859
Cash and cash equivalents, beginning of year	5,066,742	3,961,883
Cash and cash equivalents, end of year	$ 5,304,734	$ 5,066,742

See accompanying notes to financial statements.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements

Year ended March 31, 2011

The Province of Ontario Council for the Arts (the "OAC") was established in 1963 by the Government of Ontario to promote the development and enjoyment of the arts across the province. The OAC plays a leadership role in fostering excellence in the arts and making the arts accessible to all Ontarians. The OAC is a registered charity and is exempt from tax under the Income Tax Act (Canada).

1. **Significant accounting policies:**

(a) Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The OAC follows the restricted fund method of accounting for contributions.

(b) Fund accounting:

Resources are classified for accounting and reporting purposes into funds that are held in accordance with their specified purposes.

The operating fund reports the publicly funded activities of the OAC funded mainly through a general grant from the Province of Ontario.

The restricted and endowment funds are internally restricted by the OAC or by the terms specified by the donors in their trust agreements.

(c) Cash and cash equivalents:

The OAC considers deposits in banks, guaranteed investment certificates and other instruments that are cashable or with original maturities of three months or less as cash and cash equivalents.

(d) Investment income:

Investment income comprised income (loss) earned (incurred) on pooled investments and bank balances.

Investment income (loss) earned (incurred) related to the operating fund are recognized based on the actual number of units held in the pooled investment set aside for the operating fund.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. **Significant accounting policies (continued):**

Investment income (loss) earned (incurred) on the pooled investments related to the restricted and endowment funds are recognized as income (losses) of the restricted and endowment funds.

(e) Employee future benefits:

The OAC follows The Canadian Institute of Chartered Accountants' ("CICA") requirements for accounting for employee future benefits which include post-employment benefits payable upon termination. Under these requirements, the cost of the post-employment benefits paid upon termination is charged to operations annually as earned.

(f) Capital assets:

Capital assets are recorded at cost (purchase price). All capital assets are amortized on a straight-line basis over the assets' estimated useful lives as follows:

Audio visual equipment	5 years
Computer hardware and software	3 years
Furniture and fixtures	5 years
Office equipment	5 years
Leasehold improvements	5 years

(g) Financial instruments:

Financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale assets or other financial liabilities. All financial instruments, including derivatives, are included on the statement of financial position and are measured at fair market value upon inception. Subsequent measurement and recognition of changes in the fair value of financial instruments depends on their initial classification. Held-for-trading financial investments are measured at fair value and all gains and losses are included in operations in the year in which they arise. Available-for-sale financial instruments are measured at fair value with revaluation gains and losses included in equity until the asset is derecognized. Financial instruments classified as loans and receivables, held-to-maturity and other financial liabilities are subsequently measured at amortized cost using the effective interest method with impairment write-downs and foreign exchange translation adjustments recognized immediately in operations in the years in which they arise.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

1. **Significant accounting policies (continued):**

The OAC has classified its financial instruments as follows:

Cash and cash equivalents	Held-for-trading
Investments	Held-for-trading
Accounts receivable	Loans and receivables
Accounts payable and accrued liabilities	Other financial liabilities
Employee future benefits	Other financial liabilities

The investments are reflected at fair value based on published price quotations in an active market.

Transaction costs related to financial instruments classified as loans and receivables and other financial liabilities that are directly attributable to the acquisition or issue of the financial asset or financial liability are added to the value of the financial instrument. Transaction costs related to the financial instruments classified as held-for-trading that are directly attributable to the acquisition or issue of the financial asset are expensed as incurred.

(h) Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenditures during the year. Actual results could differ from those estimates.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

2. Employee future benefits:

(a) Pension benefits:

The OAC's full-time employees participate in the Public Service Pension Fund ("PSPF"), which is a defined benefit pension plan for employees of the Province of Ontario and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF, determines the OAC's annual payments to the PSPF. Since the OAC is not a sponsor of the PSPF, gains and losses arising from statutory actuarial funding valuations are not assets or obligations of the OAC, as the sponsor is responsible for ensuring that the PSPF is financially viable. The annual payments to the PSPF of $281,158 (2010 - $253,447) are included in salaries and benefits in Schedule 3.

(b) Non-pension benefits:

The cost of post-retirement non-pension employee benefits is paid by the Ministry of Government Services and is not included in the statement of operations and changes in fund balances.

The OAC also provides termination benefits earned by eligible employees. The amount of severance payments and unused vacation pay accrued at year end was $480,397 (2010 - $466,840), of which $101,177 (2010 - $94,683) has been classified as a current liability.

The OAC has set aside funds to meet these liabilities and invested these funds in the same pooled investments as the restricted and endowment funds. As at March 31, 2011, this investment has a market value of $501,931 (2010 - $458,282) and is shown under the operating fund as investments.

3. Capital assets:

			2011	2010
	Cost	Accumulated amortization	Net book value	Net book value
Audio visual equipment	$ 86,107	$ 51,250	$ 34,857	$ 43,379
Computer hardware and software	673,101	498,066	175,035	185,262
Furniture and fixtures	120,787	68,309	52,478	45,149
Office equipment	64,722	44,356	20,366	22,996
Leasehold improvements	563,973	444,270	119,703	154,013
	$ 1,508,690	$ 1,106,251	$ 402,439	$ 450,799

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

4. Fund balances restricted for endowment purposes:

	2011	2010
The Oskar Morawetz Memorial Fund	$ 26,000	$ 26,000
Canadian Music Centre John Adaskin Memorial Fund	17,998	17,998
Dr. Heinz Unger Scholarship Fund	17,235	17,235
The Leslie Bell Scholarship Fund	9,078	9,078
	$ 70,311	$ 70,311

5. Arts Investment Fund:

On September 23, 2010, the Ontario Government announced a new three-year $27,000,000 Arts Investment Fund to be administered by the OAC to strengthen not-for-profit arts organizations receiving operating grants from the OAC. This fund will help the arts sector to grow, become more competitive, pursue programming and other activities to reach new audiences and boost revenue. The $27,000,000 is being paid out over three years as follows: $11,000,000 in 2010-11, $10,000,000 in 2011-12 and $6,000,000 in 2012-13.

Eligible arts organizations were required to execute transfer payment agreements and to submit proposals to receive funding.

During the year, the activities are summarized as follows:

Balance, beginning of year	$ –
Cash received from the Province of Ontario	11,000,000
Interest income allocated to program	28,803
Grant payments (Schedule 2)	(10,724,150)
Administrative expense	(175,642)
Balance, end of year	$ 129,011

The OAC will complement the government's support with an additional $1,100,000 over three years for English and French language book and magazine publishers in Ontario. This group includes for-profit entities, and as such they are not eligible for the Arts Investment Fund. During the year, the grant payments totalled $434,420 (Schedule 1).

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

6. Related party transactions:

Included in Schedule 3 are administration fees charged by the OAC for providing day-to-day administrative support and services to the restricted and endowment funds held by the OAC. As permitted in the respective agreements, the OAC has levied an administration fee, either on a fixed or percentage basis, on the funds held or on the annual investment income earned by the funds held by the OAC.

	2011	2010
Fund administration fee	$ 51,471	$ 49,007

During the year, the OAC allocated a portion of their monthly office rental fees and a portion of their general and administrative costs to the Ontario Arts Council Foundation (the "Foundation"). The Foundation is controlled by the OAC's Board of Directors through election of the Foundation's Board of Directors. General and administrative costs allocated amounted to $7,200 (2010 - $7,200) and total rent allocated amounted to $6,000 (2010 - $6,000).

The above transactions are in the normal course of operations and are measured at the exchange value which is the amount of consideration established and agreed to by the related parties.

At year end, included in accounts receivable is an amount due from the Foundation, a related party, of $8 (2010 - $1,543).

7. Ontario Arts Council Foundation:

The Foundation was incorporated under the Ontario Corporations Act on October 15, 1991 and is a registered charity under the Income Tax Act (Canada). The Foundation was established:

(a) to receive and maintain a fund or funds and to apply all or part of the principal and income therefrom to charitable organizations which are also registered charities under the Income Tax Act (Canada);

(b) to provide through the OAC and other appropriate organizations for grants, scholarships or loans to persons in Ontario for study or research in the arts in Ontario or elsewhere or to persons in other provinces or territories of Canada or any other countries for study or research in the arts in Ontario; and

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. **Ontario Arts Council Foundation (continued):**

(c) to make awards to persons in Ontario for outstanding accomplishments in the arts.

As defined by the CICA Accounting Standards Board accounting recommendations for not-for-profit organizations, the OAC technically controls the Foundation in that the OAC's Board of Directors controls the election of the Foundation's Board of Directors.

The Foundation's financial statements have not been consolidated in the OAC's financial statements. There are no restrictions on the resources of the Foundation, nor are there significant differences from the accounting policies used by the OAC.

The majority of the fund balances, $48,167,613, represents the balances of the individual arts endowment funds held by the Foundation under the Arts Endowment Fund program of the Government of Ontario for a number of arts organizations. Under this program, money contributed and matched is held in perpetuity. The Board of Directors of the Foundation determines the amount of income that may be paid annually.

Audited financial statements of the Foundation are available upon request. Financial summaries of the Foundation as at and for the year ended March 31 are as follows:

(a) Financial position:

	2011	2010
Assets		
Accounts receivable, net	$ –	$ 4,750
Cash, prepaid expenses and investments	55,473,844	53,039,566
	$ 55,473,844	$ 53,044,316
Liabilities and Fund Balances		
Accounts payable and accrued liabilities	$ 24,059	$ 50,510
Fund balances	55,449,785	52,993,806
	$ 55,473,844	$ 53,044,316

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

7. Ontario Arts Council Foundation (continued):

(b) Changes in fund balances:

	2011	2010
Fund balances, beginning of year	$ 52,993,806	$ 45,802,845
Contributions received	585,695	905,698
Investment gain	5,105,601	9,225,597
Fund administration fee	214,366	190,676
Awards and expenses	(3,449,683)	(3,131,010)
Fund balances, end of year	$ 55,449,785	$ 52,993,806

8. Investments and investment income:

Investment income includes net unrealized gains (losses) as follows:

	2011	2010
Investments, at market value	$ 21,754,467	$ 20,681,478
Less investments, at cost	21,728,267	22,074,592
Unrealized gains (losses)	$ 26,200	$ (1,393,114)
Change in unrealized gains/losses	$ 1,419,314	$ 3,204,846

Net investment income comprises the following:

	2011	2010
Change in unrealized gains	$ 1,419,314	$ 3,204,846
Income distributions	618,519	639,772
Realized losses	(11,625)	(68,908)
Bank interest	296,383	103,385
	$ 2,322,591	$ 3,879,095

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

8. **Investments and investment income (continued):**

The asset mix of the investments is as follows:

	2011	2010
Cash and cash equivalents	2%	5%
Fixed income securities	33%	35%
Canadian equities	22%	20%
Foreign equities, predominantly U.S.	43%	40%

The OAC currently holds $7,178,974 (2010 - $7,031,703) in fixed income securities that are exposed to interest rate price risk. The interest rates range from 0.50% to 11.00% (2010 - 0.50% to 11.40%) for the year ended March 31, 2011.

9. **Public sector salary disclosures:**

Section 3(5) of the Public Sector Salary Disclosure Act (1996) requires disclosure of Ontario public-sector employees who were paid an annual salary in excess of $100,000 in the calendar year 2010. For the OAC, this disclosure is as follows:

Name	Title	Salary	Taxable benefits
Billyann Balay	Director of Granting Programs	$ 121,371	$ 205
John Brotman	Executive Director	174,141	286
Jim Grace	Director of Finance & Administration	121,371	205

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

10. Commitments:

(a) Lease commitments:

The OAC leases office premises and office equipment under operating leases. The future annual minimum lease payments are as follows:

2012	$ 260,549
2013	230,632
2014	213,324
2015	195,547
	$ 900,052

(b) Grant commitments:

The OAC has approved grants of approximately $740,932 (2010 - $584,790) which will be paid in future years once the conditions of the grants have been met. These amounts are not reflected in the statement of operations and changes in fund balances.

11. Economic dependence:

The OAC is dependent on the Province of Ontario for the provision of funds to provide awards and grants and to cover the cost of operations.

12. Capital disclosures:

The OAC considers its capital to be its net assets in the operating fund. The OAC's objective when managing its capital is to safeguard its ability to continue as a going concern. Annual budgets are developed and monitored to ensure the OAC's capital is maintained at an appropriate level.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Notes to Financial Statements (continued)

Year ended March 31, 2011

---

13. Financial instruments:

(a) Fair value:

Cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities approximate their fair values due to the short-term to maturity of these financial instruments.

(b) Interest rate and foreign currency risk:

The OAC is exposed to interest rate and foreign currency risk arising from the possibility that changes in interest rates and foreign exchange rates will affect the value of fixed income and foreign currency-denominated investments. The OAC currently does not use any hedging strategies to mitigate the exposure.

(c) Market risk:

Market risk arises as a result of trading equities and fixed income securities. Fluctuations in the market expose the OAC to a risk of loss. The OAC uses two professional investment managers to advise on investment risks, asset selection and mix to achieve an appropriate balance between risks and returns. The Board of Directors of the OAC monitors investments decisions and results and meets regularly with the managers.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 1 - Grants

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Organizations:		
Music	$ 9,938,985	$ 9,886,585
Theatre	9,521,082	9,407,414
Dance	5,611,069	5,480,404
Visual and media arts	5,408,376	5,244,632
Francophone arts	2,781,552	2,646,201
Community and multi-disciplinary	2,549,682	2,482,214
Literature	2,186,231	2,057,967
Touring	1,448,483	1,496,197
Arts service organizations	1,532,083	1,440,138
Arts education	1,222,115	1,233,090
Aboriginal arts	511,250	531,073
Compass (consulting, mentoring and technical assistance)	461,930	481,080
Publishers and periodicals* (note 5)	434,420	–
	43,607,258	42,386,995
Individuals:		
Visual and media arts	2,726,561	2,996,222
Literature	1,810,580	1,810,816
Community and multi-disciplinary	1,068,659	1,014,399
Arts education	920,670	931,291
Francophone arts	801,951	834,546
Music	786,000	784,100
Theatre	485,752	478,274
Aboriginal arts	448,750	448,927
Touring	414,065	408,498
Dance	99,800	167,285
Compass (consulting, mentoring and technical assistance)	46,950	–
	9,609,738	9,874,358
	$ 53,216,996	$ 52,261,353

*Incremental to the OAC funding for Literature, the $434,420 represents additional OAC support for publishers and periodicals (organizations that are not eligible through the Arts Investment Fund). See note 5 for full details.

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 2 - Arts Investment Fund Grants

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Organizations:		
Theatre	$ 3,777,920	$ –
Music	2,534,502	–
Visual and media arts	1,555,085	–
Dance	1,124,984	–
Community and multidisciplinary	794,111	–
Francophone arts	373,117	–
Arts service organizations	308,319	–
Arts education	200,840	–
Literature	55,272	–
	$ 10,724,150	$ –

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 3 - Administration Expenses and Services

Year ended March 31, 2011, with comparative figures for 2010

	2011	2010
Administration expenses:		
Salaries and benefits (notes 2, 6 and 9)	$ 4,469,870	$ 4,094,724
Office rent and hydro (note 6)	472,432	413,648
Travel	410,437	356,909
Communications	329,707	316,829
Consulting and legal fees	325,916	91,508
Amortization	193,559	207,715
Telephone, postage and delivery	86,500	85,738
Miscellaneous	82,197	55,787
Meetings	58,671	51,709
Office supplies, printing and stationery	44,387	35,805
Maintenance and equipment rental	44,167	36,955
Computer maintenance and support	37,111	16,805
Personnel hiring and training	34,695	40,731
Program evaluation	23,978	–
	6,613,627	5,804,863
Services:		
Other programs	803,059	965,416
Jurors and advisors	467,556	387,733
Canada/Ontario French language projects	54,000	50,000
	1,324,615	1,403,149
	$ 7,938,242	$ 7,208,012

PROVINCE OF ONTARIO COUNCIL FOR THE ARTS

Schedule 4 - Restricted and Endowment Funds

Year ended March 31, 2011

	Fund balances, beginning of year	Contributions received	Transfer from operating fund	Investment income	Awards and expenses paid	Fund balances, end of year
The Chalmers Family Fund	$ 17,059,940	$ –	$ –	$ 1,669,438	$ (926,258)	$ 17,803,120
The Venture Fund	2,593,213	–	–	255,530	(15,013)	2,833,730
The Oskar Morawetz Memorial Fund	216,638	–	–	21,348	(1,254)	236,732
The Leslie Bell Scholarship Fund	94,894	1,365	4,533	9,256	(13,206)	96,842
The Vida Peene Fund	91,244	5,647	–	9,015	(4,329)	101,577
Dr. Heinz Unger Scholarship Fund	75,863	–	–	7,475	(458)	82,880
The John Hirsch Memorial Fund	43,499	–	–	4,283	(251)	47,531
Canadian Music Centre John Adaskin Memorial Fund	25,806	–	–	2,542	(156)	28,192
Colleen Peterson Songwriting Fund	14,675	–	–	1,430	(1,285)	14,820
The Ruth Schwartz Fund	7,424	–	–	717	(1,029)	7,112
	$ 20,223,196	$ 7,012	$ 4,533	$ 1,981,034	$ (963,239)	$ 21,252,536

tvo

tvo.org

Management's Responsibility For Financial Statements

The accompanying financial statements of the Ontario Educational Communications Authority have been prepared in accordance with Canadian generally accepted accounting principles and are the responsibility of management. The preparation of financial statements necessarily involves the use of estimates based on management's judgement, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 23, 2011.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Internal Audit Department independently evaluates the effectiveness of these internal controls on a periodic basis and reports its findings to management and to the Board of Directors.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal controls. The Board reviews and approves the financial statements. The Audit Committee of the Board meets periodically with management, Internal Audit, and the Office of the Auditor General of Ontario to discuss audit, internal control, accounting policy, and financial reporting matters.

The financial statements have been audited by the Office of the Auditor General of Ontario. The Auditor General's responsibility is to express an opinion on whether the financial statements are fairly presented in accordance with generally accepted accounting principles. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor General's examination and opinion.

On behalf of Management:

Lisa de Wilde
Chief Executive Officer

2180 Yonge Street, Box 200, Station Q, Toronto ON, Canada M4T 2T1 t. 416.484.2600

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To The Ontario Educational Communications Authority
and to the Minister of Education

I have audited the accompanying financial statements of The Ontario Educational Communications Authority, which comprise the statement of financial position as at March 31, 2011, and the statement of operations, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of The Ontario Educational Communications Authority as at March 31, 2011and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 23, 2011

Gary R. Peall, CA
Deputy Auditor General
Licensed Public Accountant

Financial Statements

Statement of Financial Position

As of March 31, 2011

($000s)		2011	2010
Assets			
	Current Assets		
	Cash and short-term investments (note 4)	14,913	11,428
	Accounts receivable (note 4)	1,251	906
	Prepaid expenses	750	942
	Inventories	152	150
		17,066	**13,426**
Broadcast rights and production costs (note 8)		**15,820**	**17,162**
Accrued pension asset (note 5)		**2,126**	**1,110**
Investments held for Capital Renewal (note 6)		**5,596**	**5,692**
Net Capital Assets (note 7)		**16,857**	**19,719**
Total Assets		**57,465**	**57,109**
Liabilities And Equity			
	Current Liabilities		
	Accounts payable and accrued liabilities	8,966	8,100
	Deferred revenue (note 9)	1,756	1,374
		10,722	**9,474**
	Non-Current Liabilities		
	Deferred capital contributions (note 10)	14,501	16,052
	Employee future benefits (note 5)	9,622	8,873
	Asset retirement obligation (note 7)	937	1,136
		25,060	**26,061**
	Equity		
	Invested in broadcast rights and production costs	15,668	16,883
	Invested in capital assets	6,915	8,101
	Restricted – Accrued pension asset	2,126	1,110
	Unrestricted	(3,026)	(4,520)
		21,683	**21,574**
Total Liabilities and Equity		**57,465**	**57,109**

Commitments and Contingencies (notes 15 and 18)
See accompanying Notes to Financial Statements.

On behalf of the Board:

Peter Brian

Chair

Director

Financial Statements

Statement of Operations

For the year ended March 31, 2011

($000s)	2011	2010
Revenues		
Government operating grants (note 11)	43,376	37,640
Independent Learning Centre (note 17)	11,040	9,984
Other earned revenue (note 13)	7,290	7,419
Government and corporate project funding (note 12)	534	1,879
Amortization of deferred capital contributions (note 10)	2,266	2,633
	64,506	**59,555**
Expenses		
Content and programming	25,949	26,260
Technical and production support services	12,883	13,452
Independent Learning Centre (note 17)	10,113	9,513
Management and general expenses	5,652	6,001
Cost of other earned revenue (note 13)	2,803	2,454
Amortization of capital assets and accretion expense	4,723	5,195
Employee future benefits (note 5)	2,274	2,223
	64,397	**65,098**
Excess/(Deficiency) of revenues over expenses	**109**	**(5,543)**

See accompanying Notes to Financial Statements

Financial Statements
Statement of Changes in Equity
For the year ended March 31, 2011

($000s)	2011					2010
	Invested in Broadcast Rights and Production Costs	Invested in Capital Assets	Restricted Accrued Pension Asset	Unrestricted	Total	Total
Balance, beginning of year	**16,883**	**8,101**	**1,110**	**(4,520)**	**21,574**	**27,117**
Excess/(deficiency) of revenues over expenses	(9,024)	(2,365)	(1,380)	12,878	109	(5,543)
Invested in assets during the year	7,809	1,179	-	(8,988)	-	-
Pension contributions			2,396	(2,396)	-	-
Balance, end of year	**15,668**	**6,915**	**2,126**	**(3,026)**	**21,683**	**21,574**

See accompanying Notes to Financial Statements

Financial Statements

Statement of Cash Flows

For the year ended March 31, 2011

($000s)	**2011**	**2010**
Operating Activities		
Excess/(Deficiency) of revenues over expenses	109	(5,543)
Add/(deduct) non-cash items:		
Amortization of capital assets	4,831	5,134
Accretion expense	(108)	61
Amortization of deferred capital contributions	(2,266)	(2,633)
Amortization of broadcast rights and production costs	9,151	10,163
Pension expense	(1,016)	(1,540)
Post retirement benefits	749	633
Gain on disposal of capital assets	(92)	(36)
Net changes in non-cash working capital:		
Accounts receivable	(345)	(80)
Inventories	(2)	61
Prepaid expenses	192	(300)
Deferred revenue	382	310
Accounts payable and accrued liabilities	866	(1,084)
Cash provided by operating activities	**12,451**	**5,146**
Investing and Financing Activities		
Broadcast rights additions	(7,809)	(9,814)
Capital asset additions	(1,971)	(2,556)
Current year's deferred capital contributions	811	1,386
Proceeds from disposal of capital assets	3	40
Cash used in investing and financing activities	**(8,966)**	**(10,944)**
Net increase (decrease) in cash position during the year	**3,485**	**(5,798)**
Cash and short-term investments, beginning of year	**11,428**	**17,226**
Cash and short-term investments, end of year	**14,913**	**11,428**

See accompanying Notes to Financial Statements

Financial Statements

Notes to Financial Statements

March 31, 2011

1. AUTHORITY AND MANDATE

The Ontario Educational Communications Authority (the "Authority") is a Crown Corporation of the Province of Ontario that was created in June 1970 by the Ontario Educational Communications Authority Act. In accordance with the Act, the Authority's main objective is to initiate, acquire, produce, distribute, exhibit or otherwise deal in programs and materials in the educational broadcasting and communications fields. The Authority is licenced by the Canadian Radio-television and Telecommunications Commission ("CRTC") to broadcast English-language educational television programs. The broadcasting licence is subject to renewal by the CRTC and the current licence is for the period September 1, 2008 to August 31, 2015.

The Authority is a registered charitable organization which may issue income tax receipts for contributions. As a Crown Corporation of the Province of Ontario, the Authority is exempt from income taxes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements of the Authority have been prepared by management in accordance with Canadian generally accepted accounting principles.

(b) Inventories

Maintenance supplies and media tapes are valued at cost where cost is determined on a first-in-first-out basis, net of an allowance for obsolescence.

(c) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Capital assets are amortized on a straight line basis over the following terms beginning the year following acquisition:

Capital Assets	
Building	30 years
Transmitters	17 years
Transmitter Monitoring Equipment	7 years
In House Technical Equipment	7 years
Leasehold Improvements	5 years
Computer Equipment	5 years
Office Furniture & Fixtures	15 years
Office Equipment	10 years
Vehicles	5 years

(d) Revenue Recognition

1. The Authority follows the deferral method of accounting for grants and contributions whereby restricted grants and contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted grants and contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured.

Financial Statements

2. Revenue from grants and contributions restricted for the purchase of capital assets is deferred and amortized over the same period of use as the related capital asset.

3. Revenue from the licensing of program material is recognized when the program material is delivered.

4. Individual donations are recorded on a cash basis. Contributions from corporate sponsors are recognized when the contract is signed, except multi-year contributions that are recognized when the cash is received.

5. Revenue from sponsorship is recognized when the content is broadcast or webcast.

6. Student fees for courses offered by the Independent Learning Centre (ILC) are recognized as revenue at the time of enrolment. Registration fees for General Education Development (GED) are recognized at the time the test is taken by the registrants.

(e) Employee Future Benefits

The Authority accrues its obligations under employee defined benefit pension plans and the related costs, net of plan assets. The following policies have been adopted:

1. The cost of pension benefits and other post retirement benefits is determined by independent actuaries based on management's best estimate assumptions using the projected benefits method prorated on service.

2. Past service costs and any transitional asset or obligation are amortized over the expected average remaining service period of active plan members.

3. Actuarial gains (losses) are recognized to the extent that they exceed 10% of the greater of the accrued benefit obligation and the fair value of plan assets. Amounts recognized are amortized over the expected average remaining service period of active plan members.

4. The expected return on plan assets is based on the fair value of plan assets.

(f) Broadcast Rights and Production Costs

Broadcast rights and production costs are accounted for as follows:

- Current events and network promotion programs produced by the Authority are expensed in the year the costs are incurred.

- All other programs produced by the Authority and programs licensed under co-production, pre-buy and acquisition contracts are recorded at cost less accumulated amortization. Amortization is calculated on a straight line basis over the following periods:

  - Program licence acquired: term of contract
  - Program produced by the Authority: four years

Financial Statements

(g) Financial Instruments

The Authority's financial instruments consist of cash, short-term investments including those held for capital renewal, accounts receivable, and accounts payable and accrued liabilities. Under Canadian generally accepted accounting principles financial instruments are classified into one of five categories – available-for-sale, held-for-trading, held-to-maturity, loans and receivables, or other financial liabilities. The Authority classifies its financial assets and liabilities as follows:

- Cash and short-term investments, including those held for capital renewal, are classified as held-for-trading and are measured at fair value. It is management's opinion that their carrying amounts approximate fair value because the investments are not exposed to significant interest rate, liquidity, credit, or currency risks (note 4).
- Accounts receivable are classified as loans and receivables and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.
- Accounts payable and accrued liabilities are classified as other financial liabilities and, due to their short-term maturities, it is Management's opinion that their carrying amount approximates fair value.

(h) Asset Retirement Obligation

The Authority recognizes a liability for future decommissioning of its transmitter and low power repeat transmitter ("LPRT") facilities.

(i) Use of Estimates

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires Management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. FUTURE ACCOUNTING CHANGES

In December 2010, the Public Sector Accounting Board approved an amendment to the scope of public sector accounting standards, directing government not-for-profit organizations to adhere to the accounting standards applicable to the public sector. The government not-for-profit organizations may also choose to adopt the 4200 series, consisting of specific sections that address issues commonly encountered by not-for-profit organizations. The Authority, which meets the current definition of a government not-for-profit organization, will first report under public sector accounting standards in its financial statement for the year ending March 31, 2013. The Authority is in the process of evaluating whether to adopt the provisions of the 4200 series and the impact it will have on the financial statements.

4. CAPITAL DISCLOSURES AND FINANCIAL INSTRUMENTS

Capital Disclosures

In managing capital, the Authority focuses on its liquid resources – cash, short-term investments, and investments held for capital renewal. The Authority's objectives are to have, at the minimum:

- Cash and short-term investments on hand sufficient to meet obligations that are due within the next 45 days.
- Capital renewal investments sufficient to meet approved expenditures from the capital renewal fund for the current fiscal year.

Financial Statements

The Authority believes that these levels of liquid resources provide the flexibility to deal with any unexpected adverse developments and to take advantage of opportunities that may arise.

As at March 31, 2011 the Authority met these objectives.

The Authority does not take any significant risks in its investing activities. The Authority's Statement of Investment Policy and Procedures for Cash Balances stipulates that funds may only be invested in securities issued by or guaranteed as to principal and interest by any province of Canada or Canada or deposit receipts, deposit notes, certificates of deposit, acceptances and other similar instruments issued or endorsed by any chartered bank to which the Bank Act (Canada) applies and whose credit rating is at a minimum equivalent to DBRS' R-1 (middle) on short-term debt and DBRS' AA on senior debt. The Authority is not subject to any externally imposed capital requirements.

Cash and Short-term investments (including those held for capital renewal)

The Authority's investments consist of short-term, high-grade Canadian dollar instruments. Consequently, the Authority is not exposed to significant interest rate, liquidity, or credit risks.

Short-term investments including those held for capital renewal, mature within 365 days, and had an average yield of 1.2% (2010 - 0.6%). U.S. dollar cash totalled $280,000 (2010 - $128,000) and were not large enough at any time during the year to expose the Authority to significant currency risks. These amounts were converted to Canadian dollars using an exchange rate of 0.945 (2010 – 0.99).

Accounts receivable

Given the amount of Authority's accounts receivable and past experience regarding payments, management believes that the Authority is not exposed to significant credit risk. Accounts receivable consist of the following amounts:

($000s)	**2011**	**2010**
ILC earned revenue, corporate donations, sales and licensing, tower rentals and transmitter maintenance fees	363	394
HST rebate	544	-
Private sector funding	7	253
Net receivable from OFECA	25	32
Others	312	227
	1,251	**906**

5. EMPLOYEE FUTURE BENEFITS

The pension and other post-employment benefit plans have the following components:

(a) Registered pension plans:

- Main Pension Plan - Most employees of the Authority are members of this plan, which consists of three elements – a non-contributory, defined benefit, best average earnings and years of service element; a contributory, defined contribution element; and a non-contributory, defined contribution element.
- Executive Pension Plan – Executives are members of this non-contributory, defined benefit, best average earnings and years of service plan.

(b) Supplementary retirement plan:

- Certain employees are members of this unregistered and non-contributory plan which funds the portion of pension entitlements in excess of the maximum allowed for registered pension plans under the federal Income Tax Act.

Financial Statements

The pensions payable under the defined benefit plans are adjusted for inflation based on the consumer price index up to a maximum of 3% per year.

(c) Post-employment benefits plan:

- The Authority offers post-employment benefits such as health care, dental care, and life insurance on a shared cost basis.

The most recent actuarial valuation for funding purposes of the registered defined benefit pension plans was as of January 1, 2009, and the next valuation for funding purposes is no later than January 1, 2012.

Information about the Authority's pension and other benefit plans is presented in the following table.

	Registered Pension Plans		**Supplementary Retirement Plan**		**Post-employment Benefit Plan**	
($000s)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Plan surplus/(deficit) as of January 1:						
Accrued benefit obligation	(96,387)	(80,518)	(553)	(325)	(11,161)	(8,976)
Fair value of plan assets	82,571	77,439	-	-	-	-
	(13,816)	(3,079)	(553)	(325)	(11,161)	(8,976)
Balance of unamortized amounts as of January 1:						
Net transition (asset)/obligation	(3,189)	(4,023)	-	-	553	691
Past service cost	398	501	64	89	-	-
Actuarial (gains)/losses	18,122	7,117	181	73	942	(615)
Contributions – Jan 1 to Mar 31	611	594	-	-	44	27
Accrued pension asset/(liability)	**2,126**	**1,110**	**(308)**	**(163)**	**(9,622)**	**(8,873)**

	Registered Pension Plans		**Supplementary Retirement Plan**		**Post-employment Benefit Plan**	
($000s)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Disclosed in the Statement of Financial Position as:						
Accrued pension asset	2,126	1,110	-	-	-	-
Accounts payable and accrued liabilities	-	-	(308)	(163)	-	-
Employee future benefits	-	-	-	-	(9,622)	(8,873)
Expenses for the year:						
Defined benefit plan	1,380	1,485	137	99	749	633
Defined contribution plan*	392	364	8	6	-	-
Payments made by the Authority						
Benefit plan premiums	-	-	-	-	175	107
Pension plan contributions*	2,788	3,389	-	-	-	-

Financial Statements

Termination benefits paid	-	-	-	107	-	-
Payments made from all the plans as of January 1:						
Pension benefits paid	4,014	3,855	-	-	-	-
Termination benefits paid	1,338	1,841	-	-	-	-
Transfers to OFECA	-	7,606	-	-	-	-

* As a result of the January 1, 2009 actuarial valuation, additional contributions were made to the defined benefit plans. Total pension contributions to the Employee Plan and the Executive Plan of the Defined Benefit part was $2,396,000 (2010 - $3,025,000). Total cash contributions of $392,000 (2010- $364,000) to the Defined Contribution part of the registered plans were expensed and allocated to major functional groups.

The significant assumptions adopted in measuring the accrued benefit obligations and pension expenses are as follows:

	Registered Pension Plans		**Supplementary Retirement Plan**		**Post-employment Benefit Plan**	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
Discount rate to determine the accrued benefit obligation	5.20%	6.30%	5.20%	6.30%	5.20%	6.30%
Discount rate to determine the benefit cost	6.30%	7.30%	6.30%	7.30%	6.30%	7.30%
Investment return	6.50%	6.50%	N/A	N/A	N/A	N/A
Pension indexation	2.50%	2.50%	2.50%	2.50%	-	-
Salary rate increase	3.50%	3.50%	3.50%	3.50%	3.50%	N/A
Health cost rate increase	N/A	N/A	N/A	N/A	7.50%	7.00%
Dental cost rate increase	N/A	N/A	N/A	N/A	4.50%	4.50%
Average remaining service lifetime	11-13	11	11	12	13	11

The health cost rate increase assumption is expected to decrease to 5% by 2016.

Defined benefit plan assets as at January 1 measurement date consisted of:

	Percentage of Total Fair Value of Plan Assets	
	2011	**2010**
Asset category		
Equity securities	56%	57%
Debt securities	39%	38%
Real estate fund	5%	5%

Financial Statements

6. INVESTMENTS HELD FOR CAPITAL RENEWAL

To ensure that the Authority's technical capital assets keep pace with technological changes and can be maintained or replaced when needed, the Capital Renewal Fund was established in 1984. The Authority has set aside up to 2% of the funding received as contribution to the Capital Renewal Fund. Available funds were invested in short-term deposits that earned an average interest rate of 1.1% (2010 – 0.6%) during the fiscal year. The changes in the fund were as follows:

($000s)	2011	2010
Balance, beginning of year	5,692	7,757
Digital Over The Air project funding – Ministry of Education	655	-
Master Control Rebuild project expenses – Ministry of Education	(268)	(1,360)
Digital Conversion project expenses – Ministry of Education	(538)	(733)
Interest earned	55	28
	5,596	**5,692**

7. NET CAPITAL ASSETS AND ASSET RETIREMENT OBLIGATION

Capital assets consist of the following:

			2011	2010
($000s)	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	186	-	186	186
Buildings	4,812	4,026	786	897
Transmitters	23,966	22,446	1,520	1,555
Transmitter monitoring equipment	4,834	4,616	218	325
In house technical equipment	29,611	21,248	8,363	9,872
Leasehold improvements	8,436	6,829	1,607	2,624
Computer equipment	8,250	5,476	2,774	2,714
Office furniture and fixtures	1,884	754	1,130	1,235
Office equipment	975	869	106	127
Vehicles	594	427	167	184
	83,548	**66,691**	**16,857**	**19,719**

Asset Retirement Obligation

The Authority recognized a liability for future decommissioning of its transmitter and low power repeat transmitter (LPRT) facilities. All LPRTs are situated on leased premises and, as these lease contracts may not be renewed, the Authority will recognize the full decommissioning expense by the end of the leases, most of which expire by 2012. In determining the fair value of its asset retirement obligations, the Authority discounted the associated cash flows at 5.8% as set out in the table below. The total undiscounted amount of the estimated future obligations is $992,000 (2010-$1,272,000).

($000s)	2011	2010
Opening balance	1,136	1,075
Accretion expense	(108)	61
Retirement of LPRTs	(91)	-
Closing balance	**937**	**1,136**

Financial Statements

8. BROADCAST RIGHTS AND PRODUCTION COSTS

Broadcast rights and production costs consist of the following:

($000s)	Cost	Accumulated Amortization	2011 Net Book Value	2010 Net Book Value
Broadcast rights and completed productions	37,783	23,905	13,878	14,899
Work in progress	1,942	-	1,942	2,263
	39,725	**23,905**	**15,820**	**17,162**

Amortization expense for the year was $9,151,000 (2010 - $10,163,000) and is included in Content and Programming expense.

9. DEFERRED REVENUE

($000s)	2011	2010
ILC - MED grant and provincial project funding (note 17)	1,099	406
Transmitter tower rental and maintenance	218	255
Sponsorship revenue	202	284
Corporate project funding (note 12)	152	338
Other	85	91
	1,756	**1,374**

Expenditures related to the above deferrals have been budgeted for the 2012 fiscal year.

10. DEFERRED CAPITAL CONTRIBUTIONS

Deferred capital contributions represent contributions received for the purchase of capital assets and are recorded as revenue (amortization of deferred capital contributions) in the Statement of Operations when the related capital assets are amortized. The changes in the deferred contributions balance are as follows:

($000s)	2011	2010
Deferred capital contributions, beginning of year	**16,052**	**19,364**
Capital assets funded by Ministry of Education grant		
Master Control Rebuild and Digital Conversion projects	572	1,387
Digital Over The Air project	239	-
Project funding deferred to next year		
Digital Over The Air project	655	-
Master Control Rebuild and Digital Conversion projects	-	806
Project funding deferred from prior year	(806)	(2,899)
Interest earned	55	27
Amortization of deferred capital contributions to revenue	(2,266)	(2,633)
Deferred capital contributions, end of year	**14,501**	**16,052**

Financial Statements

Grants for the Digital Conversion project and Master Control Rebuild project were provided by the Ministry of Education to replace existing production plant and equipment with digital technology. These projects were completed in 2011.

The Canadian Radio-television and Telecommunications Commission (CRTC) has required local television stations in certain areas to stop broadcasting in analog and start broadcasting in digital by August 31, 2011. The Authority received $1 million grant from the Ministry of Education in 2011 to initiate the process of converting TVO transmitters located in Kitchener, London, Ottawa, Thunder Bay, Toronto, Windsor, Cloyne, Belleville, and Chatham into digital.

11. GOVERNMENT OPERATING GRANTS

($000s)	2011	2010
Provincial		
Ministry of Education		
Base grant	41,776	36,040
Capital maintenance grant	1,600	1,600
	43,376	**37,640**

12. GOVERNMENT AND CORPORATE PROJECT FUNDING

($000s)	2011	2010
Provincial project funding		
Ministry of Education (MED)		
Digital Over The Air	1,000	-
Digital Conversion	-	600
Funding deferred to future year (note 10)	(655)	-
Deferred capital contribution	(4)	706
	341	**1,306**
Corporate project funding		
Funding received during the year	7	497
Funding deferred from prior year (note 9)	338	414
Funding deferred to future year (note 9)	(152)	(338)
	193	**573**
Total government and corporate project funding	**534**	**1,879**

Financial Statements

13. OTHER EARNED REVENUE AND COST

($000s)	2011			2010		
	Revenue	Cost	Net Revenue	Revenue	Cost	Net Revenue
Individual and corporate donations	4,873	2,672	2,201	5,180	2,263	2,917
Revenue from OFECA (note 18)	68	-	68	70	-	70
Tower rental and transmitter maintenance	1,532	-	1,532	1,430	-	1,430
Interest income and foreign exchange gain and loss	241	-	241	118	-	118
Sales and Licensing	314	131	183	278	191	87
Property tax rebate program for charities	255	-	255	276	-	276
Asset disposal	3	-	3	40	-	40
Others	4	-	4	27	-	27
	7,290	**2,803**	**4,487**	**7,419**	**2,454**	**4,965**

14. EXPENSES

a) Allocated Expenses

The Authority allocates certain general expenses to major activities on the following bases:

Building cost – based on floor area occupied by the activity
Cost of mailing, shipping and printing – based on usage

Total general expenses allocated to major functional groups are as follows:

($000s)	2011	2010
Content and programming	1,476	1,438
Technical and production support services	787	725
Independent Learning Centre	629	622
Management and general	618	582
Cost of other earned revenue	94	90
	3,604	**3,457**

Financial Statements

b) Expenses by Type

The Statement of Operations reports on expenses by activity. Expenses by type during the fiscal year are as follows:

($000s)	2011	2010
Salaries and wages	28,260	27,280
Employee benefits	5,376	6,827
Employee future benefits	2,274	2,223
Licences and other	8,451	8,419
Facilities	4,892	4,744
Transportation & Communication	2,323	2,531
Other services	6,893	6,676
Supplies and equipment	1,205	1,203
Amortization of capital assets and accretion expense	4,723	5,195
	64,397	**65,098**

15. COMMITMENTS

The Authority has entered into operating leases covering transmission facilities, offices, warehouses and equipment. Future lease payments are as follows:

Year ending March 31 ($000s)	Head Office Space	Others	Total
2012	1,254	822	2,076
2013	1,323	602	1,925
2014	1,373	375	1,748
2015	1,362	323	1,685
2016	1,307	156	1,463
2017 and beyond	16,081	93	16,174
	22,700	**2,371**	**25,071**

The lease of head office space expires on August 31, 2027

16. CONTRIBUTED MATERIALS AND SERVICES

The Authority benefits from the services of volunteers primarily in the Donations area. The Authority also receives contributions of materials for use mainly in fundraising activities. Due to the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements.

17. THE INDEPENDENT LEARNING CENTRE

Under the terms of an agreement with the Ministry of Education and the Ministry of Training, Colleges and Universities, the Independent Learning Centre (ILC) was transferred to the Authority in 2002.

The ILC provides a wide range of distance education courses, in English and in French that allow adults to earn secondary school diploma credits, upgrade their basic skills, or study for personal development. It also supports children who may not be able to access elementary day school programs. The General Education Development (GED) testing is also available through the ILC.

Funding for these activities includes a grant from the Ministry of Education and ILC earned revenues. The portion of the grant that has been identified for specific projects is deferred until the related expenses have been incurred.

Financial Statements

($000s)	2011	2010
Activities were funded by:		
Ministry of Education ILC grant	6,421	6,421
Homework Help project	2,320	1,000
Funding deferred from prior year (note 9)	406	105
Funding deferred to future year (note 9)	(1,099)	(406)
ILC grant and project funding recognized	**8,048**	**7,120**
ILC earned revenues	2,992	2,864
Total ILC grant, project funding and earned revenue	**11,040**	**9,984**
Expenses during the year:		
Salaries and benefits	7,293	6,919
Transportation and communication	602	727
Services	1,095	744
Allocated general expenses (note 14)	629	622
Licences	293	358
Supplies, equipment and others	201	143
Total ILC expenses	**10,113**	**9,513**
ILC contribution to overhead	**927**	**471**

Direct expenses related to the funding deferred to future year have been budgeted for the 2012 fiscal year.

18. CONTINGENCIES

Contingencies refer to possible legal claims that have been made by or against the Authority, the ultimate outcome of which cannot be predicted with certainty. Management does not expect that the outcome of the claims against the Authority will have a material and adverse effect on its results and does not believe any provisions for losses are necessary at this time. No amounts have been recognized in the accounts for claims made by the Authority. Any settlements will be accounted for at the time of settlement.

19. RELATED PARTY TRANSACTIONS

The Authority is a Crown Corporation of the Province of Ontario and is therefore a related party to other organizations that are controlled by or subject to significant influence by the Province. During 2011, the Authority received revenue for transmitter maintenance services and expense reimbursements from the Ontario French-language Educational Communications Authority (OFECA). In addition to its transactions with the OFECA, the Authority received sponsorship revenue from Provincial ministries and agencies, and revenue from Ontario school boards for Independent Learning Centre (ILC) course fees and sales of educational materials. These transactions were recorded at exchange amounts agreed to by the related parties.

Non-grant revenue received from related parties during the year are as follows:

($000s)	2011	2010
School boards	1,099	1,007
Provincial ministries	124	402
OFECA	68	70
Others	165	20
	1,456	**1,499**

In addition, OFECA reimbursed $73,000 (2010 - $84,000) to the Authority for satellite telecommunication, utilities and other charges. Amounts receivable from OFECA as of March 31, 2011 totalled $25,000 (2010 - $32,000).

ONTARIO ELECTRICITY FINANCIAL CORPORATION

Responsibility for Financial Reporting

The accompanying financial statements of OEFC have been prepared in accordance with Canadian public sector accounting standards and are Management's responsibility. The preparation of financial statements necessarily involves the use of estimates based on Management's judgment, particularly when transactions affecting the current accounting period cannot be finalized with certainty until future periods. The financial statements have been properly prepared within reasonable limits of materiality and in light of information available up to June 21, 2011.

Management maintains a system of internal controls designed to provide reasonable assurance that the assets are safeguarded and that reliable financial information is available on a timely basis. The system includes formal policies and procedures and an organizational structure that provides for appropriate delegation of authority and segregation of responsibilities. The Ontario Internal Audit Division of the Ministry of Finance independently evaluates the effectiveness of these internal controls on an ongoing basis and reports its findings to Management and the Audit Committee of the Board.

The Board is responsible for ensuring Management fulfills its responsibilities for financial reporting and internal controls. The Audit Committee assists the Board in carrying out these responsibilities. The Audit Committee periodically meets with Management, the internal auditors and the external auditors to deal with issues raised by them, and to review the financial statements before recommending Board approval.

The financial statements have been audited by the Auditor General of Ontario (the Auditor). The Auditor's responsibility is to express an opinion on whether OEFC's financial statements fairly present OEFC's financial position in accordance with Canadian public sector accounting standards. The Auditor's Report, which appears on the following page, outlines the scope of the Auditor's examination and his opinion.

On behalf of Management:

Vice-Chair and Chief Executive Officer

Office of the Auditor General of Ontario
Bureau du vérificateur général de l'Ontario

Independent Auditor's Report

To the Ontario Electricity Financial Corporation and the Minister of Finance

I have audited the accompanying financial statements of the Ontario Electricity Financial Corporation, which comprises the statement of financial position as at March 31, 2011, and the statements of revenue, expense and unfunded liability and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Opinion

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Ontario Electricity Financial Corporation as at March 31, 2011 and the results of its operations, and its cash flow for the year then ended in accordance with Canadian public sector accounting standards.

Box 105, 15th Floor
20 Dundas Street West
Toronto, Ontario
M5G 2C2
416-327-2381
fax 416-326-3812

B.P. 105, 15e étage
20, rue Dundas ouest
Toronto (Ontario)
M5G 2C2
416-327-2381
télécopieur 416-326-3812

www.auditor.on.ca

Toronto, Ontario
June 21, 2011

Jim McCarter, FCA
Auditor General
Licensed Public Accountant

Ontario Electricity Financial Corporation
Statement of Financial Position
As at March 31, 2011 ($ millions)

	2011	2010
ASSETS		
Current Assets		
Cash and cash equivalents (Note 4)	$ 1	$ 8
Accounts receivable	460	341
Interest receivable	26	24
Current portion of notes receivable (Note 6)	188	625
	675	998
Payments-in-lieu of tax receivable (Note 10)	142	383
Due from Province of Ontario (Note 5)	2,255	1,484
Notes and loans receivable (Note 6)	12,743	12,155
Deferred debt costs	35	67
	$ 15,850	**$ 15,087**
LIABILITIES		
Current Liabilities		
Accounts payable	$ 215	$ 226
Interest payable	430	446
Short-term debt (Note 7)	1,174	1,201
Current portion of long-term debt (Note 7)	547	1,253
	2,366	3,126
Long-term debt (Note 7)	25,413	24,913
Power purchase contracts (Note 9)	1,519	1,858
	29,298	29,897
Contingencies and guarantees (Note 11)		
UNFUNDED LIABILITY (Notes 1, 3, 10)	(13,448)	(14,810)
	$ 15,850	**$ 15,087**

Approved on behalf of the Board:

Peter Wallace
Chair

Gadi Mayman
Vice-Chair and Chief Executive Officer

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation
Statement of Revenue, Expense and Unfunded Liability
For the year ended March 31, 2011 ($ millions)

	2011	2010
REVENUE		
Debt retirement charge (Notes 1, 10)	$ 944	$ 907
Payments-in-lieu of tax (Notes 1, 10)	321	516
Interest	742	746
Power supply contract recoveries (Note 9)	1,288	1,409
Net reduction of power purchase contracts (Note 9)	339	348
Electricity sector dedicated income (Notes 5, 10)	771	644
Other	8	7
Total Revenue	**$ 4,413**	**$ 4,577**
EXPENSE		
Interest - short-term debt	$ 13	$ 7
- long-term debt	1,581	1,617
Amortization of deferred charges	26	28
Power supply contract costs (Note 9)	1,288	1,409
Debt guarantee fee	137	138
Operating	6	6
Total Expense	3,051	3,205
Excess of revenue over expense	1,362	1,372
Unfunded liability, beginning of year	14,810	16,182
Unfunded Liability, end of year	**$ 13,448**	**$ 14,810**

See accompanying notes to financial statements.

Ontario Electricity Financial Corporation
Statement of Cash Flow
For the year ended March 31, 2011 ($ millions)

	2011	2010
CASH FLOWS USED IN OPERATING ACTIVITIES		
Excess of revenue over expense	$ 1,362	$ 1,372
Adjustments for:		
Payments-in-lieu of tax (Notes 1, 10)	241	(82)
Net reduction of power purchase contracts (Note 9)	(339)	(348)
Electricity sector dedicated income (Notes 5, 10)	(771)	(644)
Amortization of deferred charges	26	28
Other Items	(129)	(61)
Cash provided from operations	**$ 390**	**$ 265**
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term debt issues	$ 1,028	$ 1,941
Less long-term debt retired	1,253	2,319
Long-term debt (retired), net	(225)	(378)
Short-term debt issued (retired), net	(27)	216
Notes receivable (advance)	(145)	(98)
Cash (required by) financing activities	(397)	(260)
Increase (decrease) in cash and cash equivalents	(7)	5
Cash and cash equivalents, beginning of year	8	3
Cash and cash equivalents, end of year	$ 1	$ 8
Interest on debt paid during the year and included in excess of revenue over expense	$ 1,610	$ 1,659

See accompanying notes to financial statements.

Notes to Financial Statements

1) Electricity Sector Reform

Effective April 1, 1999, pursuant to the *Electricity Act, 1998* (the Act), Ontario Hydro was continued as a corporation without share capital under the name "Ontario Electricity Financial Corporation" (OEFC). It is exempt from federal and provincial income taxes under paragraph 149(1)(d) of the *Income Tax Act* (Canada).

OEFC is a Crown agency whose objects include managing the former Ontario Hydro's non-utility generator (NUG) contracts in the current market environment; providing financial assistance to the successor corporations of Ontario Hydro; entering into financial and other agreements relating to the supply of electricity in Ontario; and managing the debt and administering the assets, liabilities, rights and obligations of Ontario Hydro not transferred to other successor entities.

These other successor entities include:

- Ontario Power Generation (OPG), an electricity generation company;
- Hydro One, a regulated electricity transmission and distribution company;
- Independent Electricity System Operator (IESO), the regulated centralized independent system coordinator responsible for directing system operations and operating the electricity market; and
- Electrical Safety Authority (ESA), which performs a regulatory function related to electrical inspections.

On April 1, 1999, the respective business units, including assets, liabilities, employees, rights and obligations of the former Ontario Hydro were transferred to OPG and Hydro One (and their subsidiaries) and the IESO for $8.5 billion, $8.6 billion and $78 million respectively in exchange for debt payable to OEFC. On the same day, the Province of Ontario (the Province) exchanged equity of $5.1 billion and $3.8 billion in OPG and Hydro One respectively for debt payable to OEFC.

The opening stranded debt of $20.9 billion at April 1, 1999 was composed of $38.1 billion in liabilities assumed from the former Ontario Hydro less the value of assets transferred to OEFC at April 1, 1999, including $17.2 billion in notes receivable. After receipt of $1.5 billion in loans receivable and other assets, the opening unfunded liability stood at $19.4 billion. As at April 1, 1999, the present value of future PIL of taxes and electricity sector dedicated income was estimated at $13.1 billion. Subtracting the $13.1 billion from stranded debt of $20.9 billion resulted in a difference of $7.8 billion, known as residual stranded debt.

The OEFC debt, liabilities and associated financing costs will be repaid from interest on notes receivable from the Province and successor entities, and from dedicated electricity revenues in the form of payments-in-lieu (PIL) of corporate income, capital and property taxes made under the Act by the successor entities and municipal electric utilities. OEFC also receives the Debt Retirement Charge (DRC) paid by electricity consumers at a rate of 0.7 cents/kWh until the residual stranded debt is retired. The Ontario Financing Authority (OFA), an agency of the Province responsible for borrowing and investing monies for the Province and other public bodies, provides day-to-day management services to OEFC.

On December 9, 2004, the *Electricity Restructuring Act, 2004* was passed, resulting in a combination of a fully regulated and competitive electricity sector with different generators receiving prices set through a variety of mechanisms. Electricity generated from OPG's nuclear and baseload hydro generation assets receive regulated prices, electricity from those generators with existing or new contracts receive prices as determined by their contracts, while other generation receives prices set in the electricity spot market. Consumers pay a blend of these costs including the pass-through of regulated prices for OPG's regulated plants, the full costs for existing and new contracts for generation and market prices for other generation facilities. The Act also created the Ontario Power Authority (OPA) to ensure an adequate long-term supply of electricity.

2) Summary of Significant Accounting Policies

Basis of Accounting
As OEFC is a government organization, these financial statements are prepared in accordance with Canadian public sector accounting standards.

Net Debt Presentation
The statement of changes in net debt is not presented since this information is readily apparent from information provided in these financial statements.

Measurement Uncertainty
Uncertainty in the determination of the amount at which an item is recognized in the financial statements is known as measurement uncertainty. Such uncertainty exists when it is reasonably possible there could be a material variance between the recognized amount and another reasonably possible amount, as there is whenever estimates are used. Measurement uncertainty in these financial statements exists in the valuation of the power purchase contracts and the estimated defeasance date for OEFC's obligations. Estimates are based on the best information available at the time of preparation of the financial statements.

Deferred Debt Costs
Deferred Debt Costs include the unamortized amounts related to any foreign exchange gains or losses resulting from the translation of long-term debt issued in foreign currencies and discounts, premiums or commissions arising from the issuance of debt or the acquisition of debt prior to maturity. These costs are amortized to operations over the life of the underlying debt.

Revenue Recognition
Revenues are recognized in the period in which they are earned.

Foreign Currency Translation
Debt is composed of short, medium and long-term bonds, notes and debentures. Debt denominated in foreign currencies that has been hedged is recorded at the Canadian dollar equivalent using the rates of exchange established by the terms of the hedge agreements. Other foreign currency debt, liabilities and assets are translated to Canadian dollars at year-end rates of exchange and, in accordance with Canadian public sector accounting standards, any exchange gains or losses are deferred and amortized over the remaining term to maturity.

Power Purchase Contracts
The liability for power purchase contracts was originally calculated by discounting estimated losses over the life of the contracts. Under the *Electricity Restructuring Act, 2004*, OEFC began receiving actual contract prices for power from electricity consumers, effective January 1, 2005, and no longer incurs losses on these power purchase contracts. At that time, the Ministry of Finance estimated that the bulk of the liability would be eliminated over 12 years as existing electricity contracts expire.

3) Going Concern

OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable. It is also dependent on the government's long-term plan to defease the unfunded liability described in Note 10.

4) Cash and Cash Equivalents

Cash and cash equivalents includes cash on deposit and highly liquid investments recorded at cost, which approximates current market value.

5) Due from the Province

The Province has committed to dedicate the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries to OEFC. Under these arrangements, the Province can recoup all costs associated with its investments in electricity subsidiaries on a cumulative basis before any income can be recognized by OEFC. For the year ended March 31, 2011, OPG and Hydro One earned an aggregate amount of $1,291 million (2010 – $1,249 million). After deducting the Province's $520 million interest cost of its investment in these subsidiaries, there remains an amount of electricity sector dedicated income of $771 million (2010 – $644 million).

6) Notes and Loans Receivable

($ millions)					
	Maturity Date	**Interest Rate**	**Interest Payable**	**March 31, 2011**	**March 31, 2010**
The Province	2039-2041	5.85	Monthly	$ 8,885	$ 8,885
OPG	2011-2041	3.24 to 6.65	Semi-annually	3,868	3,723
IESO	2011	Variable	Quarterly	78	78
				12,831	12,686
Less: Current portion of notes receivable				188	625
				12,643	12,061
Add: Loans receivable from NUGs				100	94
				$ 12,743	**$ 12,155**

OEFC has agreed with OPG and the IESO not to sell notes owing from these successor entities without their prior approval.

OEFC has agreed to provide OPG financing for new generation project development in the form of 10-year and 30-year notes on commercial terms and conditions. These agreements provide for up to $2.3 billion in loans for electricity generation projects. Under these agreements, a total of $730 million has been advanced.

OEFC agreed to provide to OPG a $375 million line of credit to finance existing maturities, expiring on December 31, 2011. Under this agreement, $150 million has been advanced.

Set out below is a summary by year of maturity of OPG's debt to OEFC:

Fiscal Year	**Amount ($ millions)**
2011-12	$ 188
2012-13	400
2014-15	300
2015-16	200
2016-17	320
2017-18	1,125
2018-19	260
2019-20	505
2020-21	420
2040-41	150
Total	**$3,868**

In April 2010, OEFC provided a revolving credit facility to the IESO for up to $60 million to April 30, 2013. The facility will be used for liquidity purposes and to temporarily fund corporate requirements. All advances drawn down in the year under the revolving credit facility were repaid prior to the year-end.

Subsequent to the year-end, the note receivable from the IESO was extended to mature on May 1, 2013, bearing interest at a floating rate equal to the yield on the Province's Treasury Bills plus 25 basis points.

Loans receivable from NUGs increased during the year by $6 million to $100 million (2010 – $94 million), primarily due to interest, which has been added to the principal balance.

7) Debt

Debt at March 31, 2011, is set out below by maturity and by currency of repayment, expressed in Canadian dollars.

($ millions) Currency	Canadian Dollars	U.S. Dollars	Other Foreign	2011 Total	2010 Total
Maturing in:					
1 year	$ 1,674		$ 47	$ 1,721	$ 2,454
2 years	800	$1,742	118	2,660	547
3 years	3,514	55	335	3,904	2,660
4 years	2,133	553	—	2,686	3,843
5 years	1,950	—	83	2,033	2,686
1-5 years	10,071	2,350	583	13,004	12,190
6-10 years	6,139	73	771	6,983	7,611
11-15 years	3,687	—	—	3,687	3,273
16-20 years	1,191	—	—	1,191	2,191
21-25 years	850	—	—	850	850
26-50 years	1,419	—	—	1,419	1,252
Total	**$23,357**	**$2,423**	**$1,354**	**$27,134**	**$27,367**

The effective rate of interest on the debt portfolio was 5.87 per cent after considering the effect of derivative instruments used to manage interest rate risk (2010 – 5.91 per cent). The longest term to maturity is to June 2, 2041. Total foreign currency denominated debt at March 31, 2011 was $3.8 billion, 100 per cent of which was fully hedged to Canadian funds (2010 – $3.8 billion or 100 per cent). Bonds and notes payable are either held, or guaranteed as to principal and interest, by the Province as set out below:

Debt	March 31, 2011			March 31, 2010		
($ millions)	Held by the Province	Guaranteed by the Province	Total	Held by the Province	Guaranteed by the Province	Total
Short-term debt	$ 1,174		$ 1,174	$ 1,201		$ 1,201
Current portion of long-term debt	547	—	547	1,253	—	1,253
Long-term debt	17,479	$7,934	25,413	16,979	$7,934	24,913
Total	**$19,200**	**$7,934**	**$27,134**	**$19,433**	**$7,934**	**$27,367**

Fair value of debt issued approximates amounts at which debt instruments could be exchanged in a current transaction between willing parties. In valuing OEFC's debt, fair value is estimated using discounted cash flows and other valuation techniques and is compared to public market quotations where available. These estimates are affected by the assumptions made concerning discount rates and the amount and timing of future cash flows.

The estimated fair value of OEFC debt at March 31, 2011 was $31.2 billion (2010 – $31.4 billion). This is higher than the book value of $27.1 billion (2010 – $27.4 billion) because current interest rates are generally lower than the interest rates at which the debt was issued and because of exchange rate movements. The fair value of debt does not reflect the effect of related derivative contracts.

8) Risk Management and Derivative Financial Instruments

OEFC employs various risk management strategies and operates within strict risk exposure limits to ensure exposure to risk is managed in a prudent and cost-effective manner. A variety of strategies are used including the use of derivative financial instruments ("derivatives"). Derivatives are financial contracts, the value of which is derived from underlying instruments. OEFC uses derivatives for the purpose of hedging and to minimize interest costs. Hedges are created primarily through swaps, which are legal arrangements under which OEFC agrees with another party to exchange cash flows based upon one or more notional amounts during a specified period. This allows OEFC to offset its existing obligations and thereby effectively convert them into obligations with more desirable characteristics. Other derivative instruments used by OEFC include forward foreign exchange contracts, forward rate agreements, futures and options.

Foreign exchange or currency risk is the risk foreign currency debt principal and interest payments and foreign currency transactions will vary in Canadian dollar terms due to fluctuations in foreign exchange rates. To manage currency risk, derivative contracts are used to convert foreign currency cash flows into Canadian dollar denominated cash flows. The current policy allows unhedged foreign currency debt principal, net of foreign currency holding, to reach a maximum of 5 per cent of total debt. At March 31, 2011, the actual unhedged level was 0.0 per cent of total debt (2010 – 0.0 per cent).

Net interest rate resetting risk is the exposure to changes in interest rates. Exposure to rate changes is reduced by entering into derivative contracts that convert floating interest payments to fixed interest payments. The current policy allows unhedged floating rate debt and fixed rate debt maturing within the next 12 months, net of liquid reserves, to reach a maximum of 35 per cent of total debt. At March 31, 2011, net interest rate resetting risk as a percentage of total debt was 13.7 per cent (2010 – 16.4 per cent).

Liquidity risk is the risk OEFC will not be able to meet its current short-term financial obligations. As explained in Note 3, OEFC is dependent on the Province to borrow funds to finance maturing debt and to cover any cash shortfalls in the Corporation, and on OPG repaying its outstanding notes receivable.

The table below presents a maturity schedule of OEFC's derivatives, by type, outstanding at March 31, 2011, based on the notional amounts of the contracts. Notional amounts represent the volume of outstanding derivative contracts and are not indicative of credit risk, market risk or actual cash flows.

Derivative Portfolio Notional Value

As at March 31, 2011 ($ millions)

Maturity in years Fiscal Year	2012	2013	2014	2015	2016	6-10 Years	Over 10 Years	Total	March 2010
Cross-currency swaps	$ 88	$1,952	$ 688	$ 553	$ 83	$ 1,504	—	$ 4,868	$ 4,950
Interest rate swaps	147	947	510	2,394	214	1,006	$653	5,871	5,796
Forward foreign exchange contracts	147	—	—	—	—	—	—	147	147
Total	**$ 382**	**$2,899**	**$ 1,198**	**$ 2,947**	**$ 297**	**$ 2,510**	**$653**	**$10,886**	**$10,893**

The use of derivatives introduces credit risk, which is the risk of a counterparty defaulting on contractual derivative obligations in which OEFC has an unrealized gain. The table below presents the credit risk associated with the derivative financial instrument portfolio, measured through the replacement value of derivative contracts, at March 31, 2011.

Credit Risk Exposure ($ millions)	**March 31, 2011**	**March 31, 2010**
Gross credit risk exposure	$ 472	$ 333
Less: Netting	(472)	(333)
Net credit risk exposure	**$ 0**	**$ 0**

OEFC manages its credit risk exposure from derivatives by, among other ways, dealing only with high credit quality counterparties and regularly monitoring compliance to credit limits. In addition, OEFC enters into contractual agreements ("master agreements") that provide for termination netting and, if applicable, payment netting with most of its counterparties. Gross credit risk exposure represents the loss OEFC would incur if every counterparty to which OEFC had credit risk exposure were to default at the same time, and the contracted netting provisions were not exercised or could not be enforced. Net credit risk exposure is the loss including the mitigating impact of these netting provisions.

9) Power Supply Contracts

Power supply contracts include both power purchase contracts and power supply support agreements. Power purchase contracts and related loan agreements were entered into by the former Ontario Hydro with NUGs located in Ontario. As the legal continuation of the former Ontario Hydro, OEFC is the counterparty to these contracts. The contracts, expiring on various dates to 2048, provide for the purchase of power at prices in excess of future market price. Accordingly, a liability was recorded at $4,286 million on a discounted cash-flow (DCF) basis when the former Ontario Hydro was continued as OEFC on April 1, 1999.

Under legislated reforms to the electricity market, OEFC began receiving actual contract prices for power from ratepayers effective January 1, 2005, and no longer incurs losses on these contracts. At that time, the Ministry of Finance estimated the bulk of the liability to be eliminated over 12 years as existing electricity contracts expire. As a result, the Corporation is amortizing the liability to revenue over that period.

In addition, effective January 1, 2009, OEFC entered into a support contract with OPG whereby OPG agreed to maintain the reliability and availability of Lambton and Nanticoke coal-fired stations following implementation of a greenhouse gas emissions-reduction strategy. Under the contract, OEFC agreed to ensure OPG would recover the actual costs of operating the stations after implementing this strategy. Any costs to OEFC under this agreement, which expires December 31, 2014, are fully recovered from ratepayers.

During the year ended March 31, 2011, OEFC's costs under power supply contracts totalled $1,288 million, including purchases of power from NUGs of $1,021 million (2010 – $954 million) and OPG support contract costs of $267 million (2010 – $455 million). All of these costs were fully recovered from ratepayers.

Statement of Liability for Power Purchase Contracts ($ millions)

As at March 31, 2011

	2011	**2010**
Liability, beginning of year	$ 1,858	$ 2,206
Amortization	(339)	(348)
Liability, end of year	**$ 1,519**	**$ 1,858**

10) Unfunded Liability

Pursuant to the Act and consistent with the principles of electricity restructuring, the government has a long-term plan to defease the unfunded liability from the electricity sector. The plan includes cash flows from the following sources:

Notes receivable from the Province of $8.9 billion, OPG of $3.4 billion, Hydro One of $4.8 billion and IESO for $0.1 billion, for a total of $17.2 billion as at April 1, 1999 as a result of the transfer of assets to successor companies;

PIL of corporate income, capital and property taxes made by OPG, Hydro One and municipal electric utilities;

DRC paid by ratepayers based on the consumption of electricity; and

Electricity Sector Dedicated Income Consistent with the government's commitment to keep electricity income in the electricity sector, the cumulative combined net income of OPG and Hydro One in excess of the Province's interest cost of its investment in its electricity subsidiaries will be allocated to help retire OEFC's debt.

11) Contingencies and Guarantees

OEFC is involved in various legal actions arising out of the ordinary course and conduct of business, some of which relate to the former Ontario Hydro prior to the establishment of OEFC on April 1, 1999. For the majority of these claims, OPG or Hydro One is required to indemnify OEFC for any liability arising from these claims. For claims on which OEFC is provided no indemnification, the outcome and ultimate disposition of these legal actions is not determinable at this time. Accordingly, no provision is reflected in the financial statements, and settlements, if any, will be reflected in the period in which settlement occurs.

Subject to a $10 million deductible, OEFC has agreed to indemnify Hydro One in respect of any adverse claim to title to any asset, right or thing transferred or intended to be transferred to the company at April 1, 1999, and any failure of the transfer order to transfer such assets, rights or things and with respect to payment to or from or other dealing with any equity account of Ontario Hydro, including certain related litigation. The Province has guaranteed any liability arising from these indemnifications. A similar indemnity provided to OPG was terminated as of May 31, 2006.

OEFC is contingently liable under guarantees given to third parties that have provided long-term financing to certain independent power producers in connection with the power purchase agreements described in Note 9. These guarantees total approximately $28 million at March 31, 2011 (2010 – $36 million).

12) Related Party Transactions

In the normal course of operations, OEFC has transactions with the following related parties, all of which have been disclosed in the notes to the financial statements. Each of the following entities is included in the Province's financial statements:

a) Province of Ontario
b) Ontario Power Generation Inc.
c) Hydro One Inc.
d) Independent Electricity System Operator
e) Ontario Financing Authority

This publication is available in English and French. CD-ROM copies in either language may be obtained from:

ServiceOntario Publications
Telephone: (416) 326-5300
Toll-free: 1-800-668-9938
TTY Toll-free: 1-800-268-7095
Website: www.serviceontario.ca/publications
For electronic access, visit the Ministry of Finance website at www.fin.gov.on.ca

Le présent document est publié en français et en anglais.
On peut en obtenir une version sur CD-ROM dans l'une ou l'autre langue auprès de :

Publications ServiceOntario
Téléphone : 416 326-5300
Sans frais : 1 800 668-9938
Téléimprimeur (ATS) sans frais : 1 800 268-7095
Site Web : www.serviceontario.ca/publications
Pour en obtenir une version électronique, il suffit de consulter le site Web du ministère des Finances à www.fin.gov.on.ca

ISSN 0381-2375 (Print)
ISSN 1913-5556 (Online)

MIX
Paper from responsible sources
FSC® C103423